



Dealing with Our Estate Plans

The subject of estate planning is fraught with roadblocks and pitfalls that prevent us from effectively setting up and maintaining our estate and legal plans. One of the biggest barriers is simply avoiding the conversation and lacking the motivation to address matters. Also, sometimes there are lesser-known life changes that should prompt a review but often do not. In this newsletter, we provide some background on these concerns and offer tips on how to deal with them.

Common Roadblocks

Timing

Because end-of-life and incapacity issues seem so far off, a great many of us think we will have plenty of time to update our wills, medical directives, trusts, and so forth “when the time comes”. The fact is, other than this very moment, not one of us knows when we will have the ability to establish or maintain our legal documents. There are far too many cases where an injury or other weakness will prevent you from updating your wishes.

If you haven’t gotten your estate plan started yet, think about the emotional hardship or even the wasted money that your loved ones would have to spend in attending to your affairs. Remember, good intentions don’t count; you need to have properly drafted legal documents.

If you are overdue to update your plan, focus on how much better you felt after you had your documents last revised, giving you a sense of certainty and control. Consider that many changes might only take an hour with your attorney.

Starting the Conversation

While the majority of people recognize that all adults should have estate plans, only a fraction of them currently have estate planning documents. And there’s no doubt that even fewer still have had a conversation with loved ones about their estate plan.

At a minimum, relatives should know the location of important documents. However, talking to parents, children, and other loved ones about your plan may not be easy. Here are a few ideas to help you get started:

- **Use your attorney:** Before setting up or updating your legal documents, ask your attorney to email a general summary of the plan to your relations to see if they have any feedback.
- **Use current events:** There are always celebrity examples of poor planning, such as the well

Executive Summary

- Establishing or updating your estate plan will give you a sense of certainty and control.
- Use family stories to impart the values and rationale behind your estate planning decisions.
- Be sure your adult children have at least basic estate planning documents in place.
- Keeping your professional team engaged and informed of your wishes is an important aspect of what we do for clients.

publicized problems with Michael Jackson’s estate. You can even use popular shows like PBS’ Downton Abbey to introduce the subjects of estate law and inheritance and how it relates to your family.

- **Tell stories:** You may have a friend, coworker, or relative who dealt with the loss of a loved one—try sharing their story and see what reaction you get.

Thorny Topics

Difficult issues often come into the conversation and you should have a plan to deal with them. These might include: discussing money and wealth with children, inheritance and disinheritance, blended families (step-parents and step-children), the management of a family business, etc.

Working with an estate attorney can help you work out the appropriate strategy and perhaps they can even offer some guidance on expressing your decisions.

Experts agree that it is critical to communicate and be honest about your wealth and estate plans. Effective communication can mitigate family conflicts, but this doesn’t mean you need to show bank statements to your children or get into too much detail. Covering things in a conceptual and general way is probably adequate.

Family Stories

A more effective approach to dealing with difficult issues is to express your values, history, and perspectives in an engaging way. Ultimately, the most important part of your legacy might not have any financial value at all.

Bruce Feiler, the author of *The Secrets of Happy Families*, mentions a research study where kids were asked simple questions about their families. What they found was that those who knew the most about their family history had a greater level of self confidence and identity

which helped create a sense of control in their lives.

Learning how a grandparent survived through the Great Depression might help a child get through a rough patch—because they understand that they are part of a longer narrative.

Telling family stories is not the only way to impart values and a sense of history—here are a few other ideas:

- Build a family tree.
- Share philanthropic interests and explain why you support certain charities.
- Scrapbook or organize photos online to share—be sure to label them!
- Write a letter to a loved one about life lessons you would like them to learn.
- Take a family heirloom and document its story.

Pitfalls

Overlooked Changes

There are times when the need to update your estate documents is clear, such as: marriage, divorce, new children/grandchildren, or a change in health. However, there are even more instances when a revision is needed, but it's not so obvious:

- You provided a **substantial loan or gift**—consider how it might effect other beneficiaries and applicable estate and gift taxes.
- You made a **major purchase** such as a vacation home—these are frequently overlooked and not properly titled (in your family trust for example).
- You **moved** to a different state—this is particularly important for married couples moving between a common law state and one of the nine community property states because of tax and legal (“transmutation”) effects to your income and assets.
- There is a **family dispute** — if you think a lasting quarrel between beneficiaries will continue, consider having your attorney update your plan (perhaps by adding mediation language to your legal documents).
- You had a **job change**—whether you got a promotion or changed employers, it is likely that you need to update your list of beneficiaries on life insurance and retirement plans.
- Change in **family business management** - does a family member have new managerial authority? How do your plans treat share owners that work in the business vs. those that act more like silent partners?
- There were significant changes in the value **of your assets**—dramatic changes in your assets can upend even the most well written estate plan; be sure an updated plan considers revised asset valuations.
- Changes with a **successor trustee**—perhaps a friend or family member that you listed has moved away or is no longer able to serve.

Adult Children—Get Basic Documents

Young adults are a special case because they are even more likely than their parents to question the importance of estate planning documents. While it's true that some smaller estates might be able to avoid probate in California (those valued at less than \$150,000), estate planning documents cover much more than the final distribution of assets, such as: medical emergencies, caregiving, and banking/bill paying.

Qualified attorneys are best suited to assist you with your estate documents, but here is a list of essentials we think every adult should have in place:

- **Health Care Power of Attorney** (with HIPAA release and medical directives) – This could be the most important document you have. It designates a person to make medical choices when you cannot – covering things like treatments, life support, organ donation, etc.
- **Durable Power of Attorney for Finances** – This gives legal authorization for another person to act on your behalf such as handling your bank accounts or tax issues while you are unavailable.
- **Last Will & Testament** – This states your distribution wishes for the things you own, and also can address things like who you would want to be guardian of your minor children or take care of your pets.

Communicating Among Professionals

As you can see, changes in your life and relationships will inevitably create circumstances where action is required by your professional advisors. Moreover, it is crucial that your entire professional team follows the same strategy to protect your assets and follow your wishes—whether they are estate attorneys, financial advisors, CPAs, or insurance agents. At Financial Alternatives, we believe keeping the team engaged and informed of your wishes is a very important aspect of what we do for our clients.

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