



Changing the paradigm

A two-phase guide to
Family Legacy Planning

Your Family Legacy

Estate planners, financial planners, and their communities

are apt to talk at length about the need to plan for clients' incapacity and death. It's easy to go to a news stand and pick up a copy of any financial publication and find an article on topics ranging from how to draft a will to when to use a credit shelter trust or what you should know about the generation-skipping transfer tax. But are these enough to really capture your personal story?

Rarely does the public conversation cover your personal wishes regarding your assets, liabilities and personal intents. At True Living, we too often hear stories from new clients describing a painful experience serving as an executor and having to guess how their parents would want their personal belongings divided up. Your incapacity, or death, will have a tremendous impact on your loved ones. Fortunately, there are some simple steps you can **perform right now** which will mitigate any confusion or stress associated with that event.

At True Living we hope to lessen the confusion and stress

that accompanies emotions related to the tragic loss, incapacity, or disability of a loved one. We want to help you document your wishes so that end of life care decisions don't cause family conflict, confusion, or stress. We also want to be there to support you in settling your affairs so they don't become a burden on those you love most. To put it frankly, we might call these steps: How Not to Leave Behind a Mess. At True Living, we hope to slowly change the estate planning paradigm from one which solely focuses on your death and the avoidance of death taxes, to one which also incorporates lifetime planning, asset protection techniques, and other methods to ensure the legacy you leave for the living is distributed in accordance with your wishes.

Why perform this exercise?

It's quite simple – having thoughtful and forward thinking conversations with your family, regarding your end of life decisions, ensures a less stressful process. Your loved ones will be able to focus on you, not on financial and estate issues for which they are likely ill prepared.

This document

True Living has provided you with two main phases: one listing the information you should aggregate to help your loved ones take care of you or sort out your affairs, and the other on how and where to store this information.

Phase 1

Information for your loved ones

A. List Your Advisors

Compile a list of your legal, financial, and tax advisor's contact information including phone numbers, email, and physical addresses. These individuals will be an important first call for your loved ones in their pursuit of understanding your wishes in the event of your incapacity or death.

B. Create Comprehensive Financial Statements

Accountants put the following information on an income statement and a balance sheet. This document helps you create just that, but goes one small step further in order to drastically help your loved ones. Typical income statements and balance sheets do not contain information regarding the circumstances of a pension payout, the contact information for a life insurance policy, or the name of the advisor who manages your accounts. **The financial statements you create by following these instructions will be the difference.**

C. Create a list of assets and liabilities

Include account numbers, information regarding ownership, (ex: tenants-in-common or joint owners with rights of survivorship), beneficiary designations, and the company where the account is held. Attached to this list should be end of year statements related to these accounts. These include statements from **banks, investment, and pension accounts**. It should also include a list of secured or unsecured debts – including **home, auto, credit card, or personal loans**.

D. List insurance as an asset

Consider listing all of your insurance contracts as an asset.

The list of insurance policies should include:

- Life
- Disability
- Long-term care
- Annuities
- Health, home and auto insurance

Without this information, it will be difficult for your children to know about all the policies you have, and some items may be overlooked. For example, life insurance policies can be easily misplaced or lost in the event of your disability or death. It is surprisingly simple for your children to overlook the presence of a life insurance policy and it is not the responsibility of the insurance company to find out if you have passed. This notification responsibility is on the administrator or executor of the estate. Whether it's a small "burial policy" or a large paid up policy, sometimes

there are no financial data to clue in your children to contact the company and let them know you have passed. Even more importantly, if you have become incapacitated and have been paying on a policy that your children don't know about, your loved ones may not continue your payments and allow your policy to lapse. Don't forget any retiree life insurance benefits from a previous employer either, as there is little chance of your loved ones knowing about it if you don't tell them. A listing of

- account numbers;
- company names;
- length of term under term insurance policies;
- premium payment information;
- beneficiary designations; and,
- benefits associated with the policies

will be very helpful for your loved ones. A listing of **property and casualty insurance policies** will be helpful so that your executor knows where to mail the premium payments and cancellation notice once they have disposed of that asset.

E. List sources of income

Include

- pension;
- military retirement;
- social security;
- business income;
- rental real estate;
- annuities; and,
- deferred compensation information.

This list should name not only the source of the income, but the **amount, frequency, and who to contact** in the event of your disability, incapacity, or death. Include notes for loved ones who might not be as financially savvy as you. If an income source has a survivorship benefit, write it down and let someone know. If your spouse should forgo their social security payment and receive your survivor benefit once you have died, make note of that.

F. Personal items as assets

At True Living, we have seen extraordinarily unnecessary family strife and conflict caused over insubstantial personal items. To help avoid this, **create a list of personal property that is important** to you or your family members and discuss with your children what items they would want when you are gone. This should be a detailed list, and consider adding to it pictures of the items listed. In many states, if properly referenced in your will, this list can be legally enforceable. If you do reference a personal property list in your will, be sure to have your attorney review it while drafting your will. As far as who gets what - consider asking your loved ones if there is anything they would want and find a fair and equitable way of dividing up those items.

G. Your documents as assets

Create a list of all the legal documents you have created and indicate where they are stored. This list will likely include documents such a **will, living will, organ donation information, health care proxy, general or springing powers of attorney, statutory gift riders, trust documents, and custodial information.**

H. Write out your final wishes

Consider writing a note describing your final wishes to your loved ones. This is often a conversation many people don't want to have or don't want to hear –but it's amazingly important. Leaving family members in the dark regarding how you would like your ceremony handled can often be very difficult on your loved ones. In your letter, include information regarding a funeral home (and if you've pre-paid), flowers, cremation or burial, open or closed casket, and cemetery information. If you're not one for ceremony, let your loved ones know. Consider purchasing a grave plot and pre-paying for funeral expenses to also help loved ones. Any instructions on funeral or cemetery preferences should be made outside of a last will and testament and kept where they can easily and quickly be located. In many cases, a decedent will leave funeral instructions in a past will and testament or a locked safe with his or her past estate planning documents. These instructions are often found after the funeral has occurred.

Phase 2

Where and how to store this information

Start a record system

First and foremost, begin by setting up your record keeping system. Place copies of all of your estate documents in a special locked file drawer or box. Share the key or combination with someone you trust. These are the documents relating to

- your end of life care,
- organ donation,
- guardianship decisions,
- will; and,
- a list of your assets and liabilities.

Label this file so that your survivors can easily find it and consider making a copy for those survivors you trust. It is frequently recommended to keep your original, executed estate planning documents with your attorney in his or her fireproof safe.

Rent a safe deposit box

Consider renting a safe deposit box, but only as a place to store duplicate documents in the event that the

documents in your file at home are destroyed. **Reality is, a safe deposit box is rarely an appropriate location to store your will, trust documents, or powers of attorney.** This is largely because your safe deposit box may be sealed for many weeks after your death and requires a court order to open it up to access these estate planning documents. There's also a catch-22 with storing the only copy of your will in your safe deposit box: the will's executor will not be able to get to the box without the will that shows he or she is, in fact, the executor. There are some ways around this.

If you do insist on storing these documents in your safe deposit box, consider having your executor assigned as a co-signer on it as **most banks will only allow others to have limited access to your box if they have a key.** If you have a revocable living trust, consider placing the box in its name so the successor trustee of your trust will be able to gain immediate access to the box. Also note, even if a family member has a key and your death certificate, most banks will only allow them to inventory the safe deposit box and not remove any items. This can be a hardship for any executor if the only copy of your will is in your safe deposit box

Decide who to share it with

If everyone knows how you intend to distribute your estate, or what your wishes are regarding end of life medical care before you die or are disabled, you've helped to minimize conflict among your loved ones. Recognize though, that sharing your end of life wishes among many family members is important, however sharing personal financial information is a different conversation altogether.

The location of your estate planning documents and the document you create from this exercise should be shared with only the ones you trust the most. At the very least, let someone know that you've created an estate plan, the location of original estate planning documents, that you've completed a document containing your personal financial information, and the contact information of your advisors. At the very most, **provide your executor with a copy of your financial situation on an annual basis.**

Need a place to start?

The advisors at True Living Financial can help you.

To aid your process, we have a **Family Legacy Document Template** ready for your implementation. Contact us at info@truelivingfinancial.com and we'd be happy to help uncover your individual needs.

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