

Do I Need an Estate Plan?

While we may think an estate plan is only for the very wealthy, regardless of income and savings, we all need to establish a plan for how our assets are handled after death or incapacitation.

First, let's define estate plan. An estate plan determines how anything you own will be handled after your death or if you become incapacitated. The estate plan provides boundaries for not just how your assets are distributed but also to whom they can be distributed. In addition, an estate plan can help minimize the administrative burden on your loved ones.

Why is it important? When you die, there are laws that dictate how what you own is handled and distributed. Without an estate plan, your beneficiaries could be subject to taxes and expenses that may have possibly been eliminated or reduced. Also, it can delay receipt of any inheritance and allow for others to attempt to make a claim of inheritance.

Is everything you own handled the same and subject to the same rules? It depends. There are certain assets, like a retirement plan or life insurance, where you can set up beneficiaries directly with the provider. There are other items that don't have that option, such as a piece of property like a house or car. Depending on the asset or property, there may be different guidelines and/or laws governing the distribution of property.

Is an estate plan the same thing as a will? No—a will can be part of it, but your estate plan is broader. Your estate plan may include other legal documents, such as a trust or power of attorney. Many financial experts recommend you set up a will at a minimum in the process of establishing your estate plan.

To assist you with your estate planning, consider contacting an estate planning attorney. Before hiring anyone, check their credentials and ask them to explain their fees and the services included.

Source: Alight Solutions