

6 Reasons To Create An Estate Plan

While you may think that only the ultra-wealthy need to create an estate plan, anyone, regardless of age, marital status, or net worth can benefit from creating a plan in the event the unexpected happens. Without a plan in place, settling your affairs could have a long-lasting and costly impact on your loved ones, even if you don't have a pricey home, large IRA, or valuable art to pass along.

*Jeff Horner, SVP,
Wealth Strategist -
CFP, CPWA*

The following are six reasons why you should have an estate plan at any stage in life.

1. Protect Your Children and Beneficiaries

Your estate plan documents how your wealth will be distributed and ensures your children and other beneficiaries are taken care of when you pass away. Planning ahead with an advisor means you're in control of how your fortune is allocated to your loved ones. Without a properly documented estate plan, your state of residence normally becomes responsible for determining how to distribute your assets, which does not immediately guarantee beneficiaries your total wealth.

Failing to plan can leave your wishes open to interpretation and may lead to conflict about future asset management. By creating an estate plan, you can minimize conflict and save your family time, confusion, and potential frustration.

2. Protect Yourself

Estate plans address more than the future of your assets; they can protect you in the event you become incapacitated or unable to speak for yourself. Preparing for the unexpected keeps you in charge of your health care, finances, and property.

Creating an estate plan to protect your legacy can have immeasurable value. It means your assets, efforts, and the ideals they personify can survive.

3. Protect Your Assets

Unfortunately, your wealth tends to be more susceptible to lawsuit as it increases. An estate plan helps legally secure your assets so it can continue to make a difference after you're gone. To minimize legal disputes, it will also include a succession plan for your possessions, property and businesses.

A great estate plan goes beyond protecting the material wealth you leave behind; consider how your estate can transfer your values, beliefs, and principles to your survivors. Working with an advisor to create your estate plan can help protect your assets to make sure they continue to support your aspirations, even after you're gone.

4. Avoid Probate

When you pass away, your assets go through a settlement and distribution process that follows the terms of your will. Failing to plan can make the legal process, dictated by your state's court, tedious and costly.

Unfortunately, having a will is not enough to avoid probate, but planning ahead now can simplify or bypass the process. Because probate laws vary by state, your local advisor can help design the right plan that considers your unique needs.

5. Reduce Estate Taxes

Estate taxes can be extremely costly and unexpected if you don't plan ahead. When transferring wealth, there are three common types of tax: estate tax, gift tax, and generation-skipping tax. Because tax rules change often and vary by state, designing a flexible estate plan is key to protecting your assets.

It is nearly impossible to fully or completely avoid taxation. However, your advisor can help you use a tax minimizing approach as you create your plan.

6. Avoid Unintended Beneficiaries

When you're gone, you certainly want to shield your hard-earned and maintained wealth against anyone who may not take care of it. Planning ahead means you can minimize the risk of your assets landing in the wrong hands, like an ex-spouse or immature heir.

If a business is part of the wealth you are passing along, establishing beneficiaries and backup beneficiaries is critical to ensure that the right people continue your legacy. Documenting this in your estate plan can preserve the integrity and value of your business when you're gone.

Using an Estate Planning Resource

When working with clients who haven't completed their estate planning documents, I tell them they might already have an estate plan specifying their wishes, but without proper documentation, their expectations will not align with the resulting reality. In general, a do-it-yourself plan is better than no plan. However, a PlainsCapital Bank wealth strategist can help create an estate plan that takes into account the changing federal and state laws to protect your legacy, family, and yourself. To learn more about estate planning, contact the Private Bank today.