

## ***Financial Planning Building Blocks: Having a Will***

Let's just come right out and say it, we're not going to live forever. So what does this have to do with good financial planning? Plenty! We've discussed life insurance and the need to take care of final expenses. What we haven't talked about is what happens to your estate, and your family, after you are gone. There are many facets to a discussion about the end of life—spiritual, emotional, financial, and physical—but I want to look at some of the legal aspects.

Your assets will pass to someone else either by will or by will substitute (or by certain overriding legal statutes). A will is a person's written instructions directing how to dispose of his or her property at death. A will substitute is a method to transfer property outside of probate (e.g., to a life insurance beneficiary, or to a joint tenant, or through a trust). Actually, there is a third way to transfer property, but it's not a very good one. You can do nothing and let the state determine what goes where and who gets what. This method tends to be expensive and time consuming, but for many people, it seems to be one of the more popular options.

Let's take a look at what can happen in the absence a well-drafted will, or without valid beneficiary or property ownership designations. First of all, how you want your property distributed probably will be ignored, because you didn't tell anyone (legally) what you wanted to happen. Each state has laws regulating how to transfer property in the absence of a valid will. For example, your children and your partner may have to divide your estate equally. Why might this be a problem? Your partner may not be able to support the family on just his or her share of the estate, but may have to, because the children's share may have to sit until they reach the age of majority.

Another situation is even more common. You may have minor children to whom you want to transfer assets. However, most states do not allow minors to inherit property outright. Also, minors are legally incompetent to handle finances. Therefore, a guardian must be appointed to handle these matters. The state will designate a guardian if you don't, and he or she may not be the person you would have picked. It's best to appoint a guardian for your minor children, as well as a personal representative to see that your wishes are carried out. A will is the easiest way to make these choices known.

Speaking of minors, are you in a blended family? Do you, or your partner, have children from a former relationship, and do you have children from your current relationship. If you want to provide for all your children you have to do some careful planning. It's not impossible, or uncommon, to inadvertently disinherit one or more of your children.

If you, through investments, your own inheritance, your hard work, or some other method, accumulate a large amount of assets, you may have to be concerned about estate taxes. We can't deal too much with those here, except to say that, without a will, you have little or no hope of reducing any estate tax liability.

A will doesn't have to be expensive, neither does simple estate planning. It may be a sobering proposition, but death *is* a part of life. Planning for death is also a part of good financial planning, and may make your passing a little easier on those you leave behind.

— Michael Snowdon, CFP®