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Estate-Planning Checklist

Many people unwisely assume that estate planning is only for the wealthy, inadvertently causing complications for families following their death. Imagine for a second the following scenarios:

✔ The assets you leave behind are not distributed as you assumed due to an unanticipated family conflict, and your spouse or certain family members are excluded.

✔ A spouse keeps you on life support against your prior verbal wishes.

✔ Your minor children have no appointed guardian, and their future depends on a court decision.

✔ Cherished pets are left for the pound.

✔ Your assets go directly to the government.

Contrary to popular belief, estate planning isn't just about money or family heirlooms; there is far more at stake, including the welfare of your loved ones. As unimaginable as your sudden demise may seem, *you need a strategy in place*. With appropriate planning, your family can grieve properly without the added disadvantage of worrying about complicated financial matters, living arrangements, unexpected taxes, or even funeral costs and preparations. Here are the most important steps you should take now to protect both your loved ones and your assets:

✔ **Prepare a Last Will**: The first and most imperative step is to have a last will and testament prepared, specifying the following: 1) Your heirs; 2) The executor who will implement your instructions; 3) The designated guardian who will act as caregiver of your minor children;

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Should You Serve as a Guardian?

When asked to serve as the guardian of someone's minor children in the event of his/her death, it is usually meant as a compliment. While you may fear that you'll hurt your relationship by saying no, don't accept this role without serious thought. Consider the following:

✔ **Are your lifestyles compatible?** Go over all details involved in raising the children. Consider the impact on your children, including the fact that you will probably have less time available for them.

✔ **How much financial support will be available?** This involves more than making sure money is available for college and other expenses. Additional children in your house will increase many of your bills.

✔ **Are you comfortable taking on responsibility for the children's finances?** You may feel more comfortable with another person involved to review how the children's money is spent.

✔ **Has a contingent guardian been named?** Find out if a contingent guardian has been named in case you cannot serve. However, don't use this as an excuse to say yes when you really want to decline. ❍❍❍

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Estate Planning

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4) The guardian who will manage assets you leave to your minor children. Consider working with an estate-planning attorney to assure this essential document is correct, as even the most insignificant-seeming errors can alter your will's intent.

✔ **Name Your Durable Power of Attorney:** Don't confuse this with the executor of your last will, although you can certainly designate the same person to serve as both. A durable power of attorney is a person you choose to oversee your finances should you become either temporarily or permanently incapacitated; they'll manage your bills, bank deposits, medical benefits, and insurance when you are unable to do so.

✔ **Establish a Living Will/Health Care Directives**: Just as you must consider your inevitable death and its financial implications, there is also the unfortunate chance of becoming either temporarily or permanently unable to make your own medical decisions. In a living will, you define your medical preferences, such as whether you wish to remain on life support. You should also designate a health care proxy (also referred to as a medical surrogate), who advocates on your behalf to ensure that your medical instructions are carried out.

✔ **Choose Your Beneficiaries:** Be sure to set up or revise the beneficiaries on your savings and checking accounts, life insurance policies, retirement plans, and even stocks, bonds, and brokerage accounts, particularly so that they align with your will. Understand that because a named beneficiary on an account will override your will, people can unknowingly disinherit a loved one. You can prevent these unintended mishaps by reviewing your beneficiaries in accordance with your will.

✔ **Familiarize Yourself with Estate Tax Laws:** The last thing you want for your heirs are the unexpected costs associated with federal and state estate and inheritance taxes. While your heirs are not required to pay income tax on their inheritance, estate taxes levied against your total wealth — which occurs prior to any distributions — could dramatically impact what your loved ones or chosen charities receive. Careful review of your assets along with strategic planning can protect your legacy.

✔ **Consider Life Insurance:** If you're married, have minor children, or even a disabled adult child, life insurance is a great way to assure these loved ones continue to receive financial support in the event of your death. Properly structured, beneficiaries can receive the life insurance proceeds with no income- or estate-tax ramifications. You can also consider life insurance as a supplemental source to help offset any levied estate taxes.

✔ **Think about Funeral and Final Arrangements:** Do you plan on donating organs? What type of funeral service do you envision? Why burden family with such difficult decisions when you can plan ahead by preparing a written document specifying instructions for the disposition of your body and funeral service preferences? You can even consider a Totten trust, where a specific amount from your assets is earmarked for funeral costs.

✔ **Protect Your Business:** Owning a business can significantly complicate your estate, as any assets won't necessarily transfer to spouses or beneficiaries without proper directives. Likewise, if you share a business, make sure you have an arranged buyout agreement, which among several other scenarios, plans for the event of your death.

✔ **Set Up a Trust**: The larger the value of your estate, the more you should consider setting up a trust. Similar to a last will, a trust allows you to designate financial beneficiaries and even a guardian for your minor children, with three important advantages over wills: 1) Assets retained through a trust are not subject to probate, therefore allowing for faster distributions to loved ones or cherished organizations; 2) Unlike wills, trusts are not considered public documents, providing the added benefit of privacy; and 3) You can place special conditions on your legacy, such as when it's dispersed and how it can be spent, which may be more beneficial for young adult recipients or more irresponsible heirs.

✔ **Store Your Documents:** Make sure your power of attorney or executor has quick and convenient access to your important paperwork: wills and trusts, life insurance policies, bank and retirement account statements, certificates of other assets, mortgage paperwork and real estate deeds, and debts. The last thing you want for your family is for an important document to go missing.

Please don't delay taking these important precautionary measures. Even if you've already wisely planned ahead, understand that births, deaths, divorces, changes in income, and other recent life developments can greatly impact the estate plan you currently have in place. To get started on a plan immediately or review your current plan, please call. ❍❍❍

Should You Stay or Should You Go?

Does your retirement plan involve long days of golf in sunny Arizona? Perhaps you're dreaming of a beachside condo in Florida? Or maybe you want to explore life in a foreign country. Of course, there's always the possibility of just staying put, close to family, friends, and a familiar community. The options are endless and overwhelming.

Nonetheless, choosing a place to live is one of the most important decisions you can make when planning for retirement. And it's not always an easy choice to make. You'll have to weigh financial, emotional, and lifestyle issues before you can decide where to live after you stop working. Below are some tips that may help you make your choice.

Questions to Ask Yourself

You can start your retirement housing search by asking yourself some or all of these questions:

- ✔ Where do I really want to live in retirement?
- ✔ Where can I afford to live after retirement?
- ✔ If I'd like to relocate, how much will that cost?
- ✔ Will relocating allow me to save money on housing and other expenses?
- ✔ Can I save on taxes by moving to another area?

- ✔ If I'd like to move, what price can I expect to get for my house?
- ✔ Where do my friends and family live?

Deciding on the answers to these questions is the first step in preparing to make a decision about where to live in retirement.

Making the Choice

So, what if your answer to the above questions suggests that relocation is a good idea? It's hardly an unusual situation. Getting a fresh start in retirement is a dream for many.

But depending on your current financial situation, it may not be realistic. Many baby boomers saw their home values plummet during the most recent financial crisis, and some are still underwater on their homes. Others still have hefty mortgage payments heading into retirement. Some people who want to relocate simply may not have the financial ability to do so.

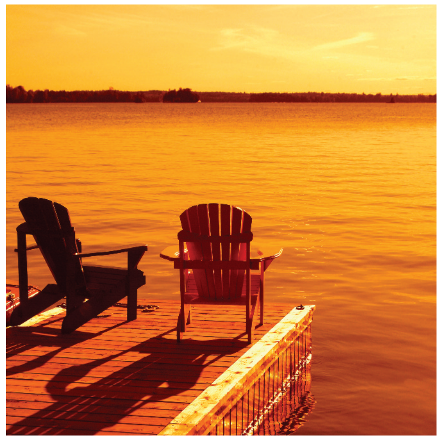
If you are interested in moving, it pays to do your homework. Looking into housing in your ideal location is just the start.

You'll also want to think about how much you can get from the sale of your current home (be realistic). Taxes are another issue. Some retirees can save money by moving from a high-tax state to one that offers tax breaks to retirees, like Georgia, Mississippi, or Illinois.

Another thing to consider? The cost of travel back to your original hometown if you still have family and friends living there.

According to a study by the Demand Institute, while most boomers won't relocate in retirement, a significant minority — 37% — are planning to do so.

Of those who do expect to relocate, roughly 40% plan to upsize



rather than downsize, choosing larger, more expensive properties than their current residence. If you count yourself among that number, make sure you have the financial resources to turn that dream of a palatial retirement abode into a reality.

If you're sure that relocating in retirement is the right choice for you, don't rush into a decision. A trial run of a month or two in your ideal destination will allow you to see how you really like living there. A place that's great to visit for a week might lose its luster after a month.

In addition to obvious considerations like weather, make sure you think about amenities both fun and not so fun. Are there hospitals nearby? What about public transit in case you're eventually unable to drive? Will you be part of a ready-made retirement community, or will you be on your own when it comes to making new social connections? Are the amenities you'd like to use affordable?

Knowing the answers to these questions in advance can help you avoid making a costly financial mistake.

Thinking about relocating in retirement? Please call if you'd like to discuss this in more detail. ❍❍❍

Asset Allocation Tips

Unfortunately, there is no one asset allocation plan that is suitable for all investors. You need to evaluate your risk tolerance, time horizon for investing, and return needs to determine how you should allocate your portfolio among the various investment categories. To help you with those decisions, consider these points:

Some asset classes move in opposite directions while others move in the same direction at different speeds. By owning different types of assets, it is hoped that when one asset suffers a major decline, other assets will be increasing in value.

Investments with higher return potential generally have higher risk and more volatility in year-to-year returns. Asset allocation allows you to combine more volatile investments with less volatile ones. This combination can help reduce the overall risk in your investment portfolio.

Not only should you diversify across broad investment categories, such a stocks, bonds, and cash, you should also diversify within those categories.

Assessing your risk tolerance is one of the most important, yet most subjective, parts of determining your asset allocation. You are trying to assess your emotional ability to stick with an investment.

Your portfolio can become more aggressive as your time horizon lengthens, since you have more time to overcome downturns in investments. You can add higher percentages of stocks to your portfolio at that time.

Make sure you have reasonable return expectations for various investment categories.

In general, consider a more conservative allocation if you are older, have short-term needs for your money, have low earnings, have a low risk tolerance, or are uncomfortable with investing.

Time diversification is also important. By staying in the market through different market cycles, you reduce the risk of receiving a lower return than expected.

Rebalance your portfolio at least annually. Over time, your actual asset allocation will stray from your desired allocation due to varying rates of return on your different investments. Changes may be needed to bring your allocation back in line. ❍❍❍

5 Steps to Protect Spouse

Many surviving spouses have been financially blindsided due to poor planning. The following steps will ensure your spouse is taken care of upon your death:

Update wills: While any jointly owned property will go to your spouse, only up to half of your individual assets will transfer unless you specify otherwise in your will.

Review beneficiaries on retirement and other accounts: Many assets disbursed to beneficiaries. Beneficiary designations typically trump wills.

Make jointly owned debt a priority: While your spouse isn't required to pay any debt owed in your name only, he/she is still liable for jointly owned bills.

Make sure there's enough: Will your spouse have enough to survive on once you're gone? Age, work opportunities, individual debt, and future retirement are all important factors to consider.

Identity theft: Leave a note reminding your spouse to report your death in writing to the three main credit-reporting bureaus. He/she should also request a copy of your credit report so he/she is aware of all your open accounts. ❍❍❍

Financial Thoughts

Approximately 22% of long-term-care costs were paid out of pocket, while private insurance paid for 18%. One in five elderly Americans will incur more than $25,000 in lifetime out-of-pocket long-term-care costs before they die (Source: *REP.*, November 2015).

The lifetime probability of becoming disabled in at least two activities of daily living or being cognitively impaired for individuals age 65 and over is 68% (Source: Centers for Disease Control and Prevention, 2015).

Approximately 87% of Americans received needed long-term care from informal or unpaid caregivers (Source: AARP, 2015).

Individuals age 65 and older spend 33.9% of their annual budget on housing, 15.9% on transportation, 13.4% on health care, 12.5% on food, 5.8% on cash contributions, 5.5% on entertainment, and 12.7% on other expenses. Average annual expenditures totalled $43,635 (Source: Bureau of Labor Statistics Consumer Expenditure Survey, 2014).

Life expectancy at birth in the United States is 78.8 years — 76.4 years for males and 81.2 years for females (Source: Centers for Disease Control and Prevention, 2015). ❍❍❍

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