(Financial) Things To Do Before You Die

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Unless you have a terminal illness you probably do NOT know when you will die. Accordingly, these tips are geared toward all individuals who hold investments, insurance, pensions and/or real estate *<u>and who want to pass these to a surviving spouse or other family members</u>*. Some of these steps may seem patently obvious and simple, but in my experience as a financial advisor I can report that even smart, well-prepared people commit very (how else shall I put it?) *dumb* estate planning mistakes.

<u>Estate Docs 101:</u>

1. Prepare your next of kin or surviving spouse with updated estate documents – preferably written up by an estate attorney although some individuals with very simple estate needs use Legal Zoom or other packaged programs (note: I recommend an estate attorney over canned templates).

2. Updated estate documents include: wills, powers of attorney and medical health care directives/living wills. <u>Anecdote:</u> *A client did NOT want to be resuscitated repeatedly and she specified this in her medical health care directive/living will. She lapsed into a coma. Her out of state daughter wasn't aware of this and she did NOT have a copy of this directive. As a result, the hospital repeatedly tried to revive my client and deployed measures my client did not want.*

3. Make sure at least 2 people know where you keep your estate documents (clients often retain the originals in a safe place). Make sure at least 2 people have the names of your estate attorney and your financial planner. <u>Anecdote:</u> *A client has a simple estate; he opted to set up his estate documents*

using an online program. When asked if at least one of his children knew where he stored these, he looked surprised and admitted "no." (I also asked for a copy). It's great to have estate documents set up but if no one knows where they are, they're *<u>worthless</u>.*

4. A "wink and nod" (no formal written documents) understanding of intended inheritance only creates problems after you're gone. <u>Anecdote</u>: *A client has 3 children. She wanted her oldest daughter to inherit the beach house but she never formalized this in writing. The other 2 adult children weren't aware of this plan and "all hell broke loose" when the client died and the oldest daughter tried to claim the property. The court awarded the home to all 3 adult children so now they are busy fighting one another and aren't on speaking terms.*

<u>Leave a DETAILED List of Assets and Insurance ($ values are optional):</u>

5. Every year millions of dollars of investment assets and unclaimed insurance policies *remain untapped by heirs because the spouse or next of kin didn't know about them.* Your financial advisor should retain an updated list <u>in hard copy form</u>. <u>Anecdote:</u> *One of my clients came to me some years ago for help. Her husband died several years previously; he apparently kept immaculate records of investments on a computer. His wife wasn't aware of this and the computer was given away after he died; all floppy discs were tossed. It took several years for me and this client to piece together all of her investment information.*

6. Most people are fine sharing the values of their investments or real estate with a spouse but we Americans are famously private when it comes to sharing dollar information with children or other non-spouse relations. You DON'T have to share the value of your investments, real estate and insurance when you itemize your assets – just make sure you share the

account numbers and other relevant information.

Tread Carefully When Discussing Your (Future) Estate With Heirs:

7. Do you favor one child over another child? Do you rely on the input of one child (or her spouse) and ignore advice from your another child? Favoritism – whether warranted or not – is appropriate to review with your estate attorney and financial advisor – but not with your children/potential heirs. Anecdote: *A client's father owns a valuable piece of property. The client's father is aging and ailing. His two adult children know that this property is the only real asset their father owns. The father favors Jonathan (older son) over Karen (younger daughter) and he seeks input from Jonathan only regarding his plan to sell the property (and invest it in a scheme with an uncertain payoff). Karen is the adult child with the financial smarts, but the father seeks input only from Jonathan. How well do you think that goes down with Karen in terms of how she feels about her father and her brother (who is in discussions with their father that exclude Karen). This has all the makings of a major family rupture when the father invests poorly in property sale proceeds after listening to his son.*

Avoid 11th Hour Product Sales:

8. Advisors who sell products at the 11th hour may be looking for an easy commission, even if the product doesn't make sense. Anecdote: *My father already was 79 when an annuity salesman tried to sell him an annuity that only would begin to pay out in 10 years – when my father turned 89. There is no shortage of examples of clients being offered various types of insurance and other products that make no sense at an advanced age.* ***Avoid this by working with a Fee-Only Advisor who doesn't sell products or split commissions.***

There are many more examples of dropped balls (and family ruptures) when it comes to estate planning. I remember hearing about an ultra affluent client (net worth exceeding $100 million – multiple properties in various states, children from multiple marriages) who deliberately avoided all estate planning. Why?? He told his advisors that the undisguised greed exhibited by his family disgusted him and he hoped his estate would be tied up in court for years. This is an extreme example of an “estate planning mistake” but it illustrates how things can go badly down the road without good planning in place.