

## Estate Planning

**Estate planning** is the process of taking inventory of your assets and identifying the best way to convey each of those assets upon death. It also involves planning for incapacity and designating who will care for your financial and health care needs during a time when you cannot. In terms of FM Financial's *Stewardship Well Done Journey*, estate planning is Waypoint #3 – Essential Documents.

Because the *Stewardship Well Done Journey* includes giving all along the way, we invite you to consider the estate planning process as a way to give – not only to your loved ones, but to the ministries that you supported during your lifetime. Take time to pray and ask God how you can make sure His Kingdom purposes are accomplished through your estate plan.

Below is an explanation of a few basic estate planning concepts to guide you as you think about your estate.

### WILLS AND TRUSTS

Wills and trusts are two common estate planning instruments. Which one you choose will depend on your unique circumstances, assets, beneficiaries, and goals.

**Last Will and Testament** - A will is a signed and witnessed document that describes where you want your property to go when you pass away. It also allows you to appoint a personal representative (executor) to manage the administration of your estate following your death. Many people first create a will in order to appoint a guardian to care for minor children in their absence. Each state has its own rules regarding how to create a valid will. A will is revocable, which means you can make changes to it any time. You can replace it with an entirely new document, or just make a few changes with a document called a codicil. Initially, a will is less expensive to create than a trust, but there are often additional costs incurred when the will goes through the public probate process following your death.

**Revocable Living Trust** - Unlike a will, a revocable living trust is a private document that is not subject to the probate process. While a will only goes into effect after your death, a trust provides a trustee to manage your property during your life (including any time of incapacity) as well as after you pass away. Like a will, the provisions of a revocable living trust can be changed, most often through a document called an amendment. A trust takes more time, money, and effort to set up and manage properly during your lifetime, so you must be committed long-term to the process. However, when used correctly, a trust is often less cumbersome and costly for your heirs upon your death. For estates valued over the current state or federal estate tax exclusion amount, additional provisions can be included in a trust for married couples to maximize savings and reduce estate taxes.

### JOINT OWNERSHIP AND BENEFICIARY DESIGNATIONS

**A WORD OF CAUTION:** Joint ownership and beneficiary designations often have unintended consequences and should thus only be used in very specific circumstances with good legal counsel. You should NOT rely solely on joint ownership and beneficiary designations to take care of your entire estate. They should always be coupled with a will or a trust.

**Joint Ownership** – Many assets allow you to name someone to be a joint owner with you. This is most commonly used by husbands and wives for bank accounts and real property. When the first owner passes away, the remaining owner will continue to own the asset without the involvement of the court.

**Beneficiary Designations** – Some assets allow you to name one or more beneficiaries to become the owner when you pass away, thus keeping the asset out of the probate process. Most married couples name their spouse as the primary beneficiary. You can usually also name a contingent (secondary) beneficiary in case your primary beneficiary passes away before you. This could be children, another family member, or even a ministry/charity that has a special place in your heart.

## POWERS OF ATTORNEY

Financial and health care powers of attorney are part of any good estate plan. These documents help you prepare for a time when you are incapacitated and unable to care for your everyday financial needs or make critical health care decisions.

**Financial Power of Attorney** – This document allows you to name a person (and successors) to take care of your finances, much as you would do if you were able. It is often called a General Durable Power of Attorney – “general” because it does not limit your agent’s powers to only certain transactions authorized by you, but rather grants powers of ALL your financial affairs; and “durable” because it is effective even during a time when you are incapacitated. It usually goes into effect as soon as it is signed, so you will want to name an agent you thoroughly trust.

**Health Care Power of Attorney** - This document allows you to name an agent (and successors) who will make specified health care decisions on your behalf, but only during a time when you are unable to make such decisions for yourself. Your agent is required to follow your directions stated in the document or as otherwise known to your agent.

**Living Will** – A living will states which heroic life sustaining measures you would like to be taken or refused in the situation where you have an incurable condition that will lead to your death. It will also likely address artificial nutrition and hydration and when they may be withheld or withdrawn. Depending on the state where you reside, a living will can be a separate document, or it can be incorporated into a Health Care Power of Attorney.

Part of good stewardship is knowing when to rely on the expertise of others. Although many resources exist online to help with estate planning documents, FM Financial always encourages you to work with a professional. The right professional can look at your unique circumstances and customize documents to function in the right way for you. They can also draw on their professional experience to help you avoid common pitfalls. Doing your estate documents right from the start is so much easier than trying to fix mistakes later.