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Save Your Loved Ones Time, Stress, and Money: Use This Estate Planning Checklist

What do Abraham Lincoln, Pablo Picasso, Prince, and Howard Hughes all have in common? Besides being famous and broadly influential in their own spheres, all three of them died intestate: without a will. Would you like to guess what their heirs (and would-be heirs) had in common? If you guessed "lots of attorneys' fees," you would be correct.

Why do so many of us—including some very famous and extremely wealthy people—procrastinate when it comes to estate planning? Well, for starters, none of us enjoys thinking about estate planning, because it forces us to consider our own mortality. Another reason is that many of us assume we don't have enough of an estate to bother with. Finally, we associate things like wills, trusts, and other planning documents with attorneys and legal expenses. These and other associations, conscious or not, typically cause us to shift estate planning to the bottom of the to-do list—if not off the list altogether.

But there are many solid reasons to focus on estate planning, no matter the size of your estate. For one thing, a few steps taken now can save your loved ones hours of heartache and thousands of dollars in unnecessary fees and expenses in the future. Also, the only time you can exert any influence over the disposition of your estate is now, while you're still alive. And it's also important to realize that taking a few simple steps, while immensely helpful to your heirs, doesn't have to cost a lot.

Here’s a quick list of tasks that you should start to work on right away.

1. Do an inventory of physical items.

This one is simple; just go through your home and office and make a list of everything you own personally that is worth $100 or more. This includes your home, any other real estate that belongs to you personally, vehicles, art, jewelry, collectibles, guns, electronics, power tools—everything. Write it all down and keep the list in a safe place.

2. Do an inventory of non-physical possessions.

This list should include bank and brokerage accounts, retirement plans (IRAs, 401Ks, etc.), life insurance policies and annuities, all other insurance policies (auto, home, medical, long-term care, etc.) and even association memberships, like AAA, some of which provide certain death or disability benefits.

3. List your debts, including credit cards.

Don’t forget about gasoline credit cards, lines of credit, store cards (Lowes, Target, and so forth). Write down the current balance owed and monthly payment amounts. While you’re at it, this is a good time to run one of the three free credit reports to which you’re entitled each year (one each from the three major credit reporting agencies—TransUnion, Experian, and Equifax). Your free report will list every debt registered in your name, and you should check the agencies’ list against the one you’ve just made. If you see any listed on the reports that aren’t on your list, verify immediately and make sure than any incorrect listings are removed as soon as possible. Make this credit checkup an annual habit.

4. Make a list of charitable organizations.

You should include those organizations you are a member of and also those to which you are making regular donations. This serves two purposes: some of these organizations provide certain types of death or disability benefits to members; and in the event that you wish to direct gifts from your estate, your family and your executor will know what organizations you care most about.

5. Review and list your IRA, 401K, and other retirement accounts.

These accounts were mentioned earlier, but now you need to really scrutinize the accounts, especially with regard to current balances, investment holdings, and beneficiary designations. Every year, people die owning IRA accounts that they’ve forgotten about—either because they were opened in connection with a previous employer or even a previous marriage. You want to be sure that these funds, which will pass directly to the named beneficiary on the account, regardless of any other terms of your will or trust, go to the people you would want to receive them.

6. Update and list your life insurance policies and annuities.

Like your retirement accounts, these documents list beneficiaries. Make sure they are up to date and reflect your current situation and wishes. These funds will be disbursed earliest, without any requirement for probate. Make sure they are designated to go where you want.

7. List your bank and brokerage accounts and provide transfer-on-death (TOD) designations where possible.

In many cases, bank and brokerage accounts can be provided with a TOD designation that will avoid most of the delays of the probate process and place the assets in the control of your designee. Contact the custodian of your trust or the bank or brokerage holding your account to find out how to take this simple, but time- and moneysaving step.

8. Select an estate administrator.

This person will be responsible for ensuring that your estate is distributed according to the terms of your will. This means that they will be exercising judgment over your final affairs. They need to be dependable, impartial, and level-headed. For these reasons, it is often not a good idea to name a spouse or child as your administrator or executor, as they will be called upon to make these decisions in the midst of an emotionally trying time.

9. Create a will.

You may be wondering why this all-important step is #9 in the list. That is because until you have carried out the steps above, you are not in the best position to have a good overview of your estate or the implications of how it should be divided. Certainly, everyone over the age of 18 should have a will. For young people with few assets, it need not be complicated or expensive; there are many low-cost online sources, for example, that can help with drafting a simple will. But for those with more significant estates and considerable assets, the money spent on having a will properly drafted by an attorney well versed in estate law and taxation will far repay the money spent. Even in these cases, a will need not be hugely expensive; many estates can be well served by a will costing $1,000 or less. The point is, your will is the most important piece of your estate planning preparation, because it is the legal description of how you want your final affairs handled. You should sign, date, and notarize your will and then send a copy to your executor. You should also keep a copy in a secure location, like a safe deposit box, and another copy in a safe place at home.

10. Draft, review, or update POAs, living wills, and healthcare directives.

Once again, these are documents that many of us don't like to think about, because they govern what will happen if we are incapacitated in some way. But don't leave these decisions to chance. The last thing you want to do to your loved ones is force them to make a life-or-death decision without knowing your wishes in the matter.

11. Get financial planning and legal help as needed.

If your estate is of sufficient size and complexity, don't try to go it alone. You should certainly educate yourself as much as possible in order to exercise good judgment, but don't be afraid to spend a modest amount of money to ensure that your plans are appropriate, tax-efficient, and legally enforceable.

12. Consolidate accounts where advisable.

Do you have three or four small IRAs that have been inactive for years? Were you a member of a credit union years ago, with a balance in an account that hasn't been touched in a decade? Do yourself and your family a favor, and consolidate these accounts. You'll simplify your own life and everyone else's.

13. Don't ignore the annual gift exemption.

Everyone can give away up to $15,000 to one or more recipients (in 2018) with no tax implications whatsoever. And yet, every year, financial planners and estate attorneys note that wealthy clients have needlessly subjected their estates to taxes that could have been reduced or eliminated by simply giving away a portion of their assets each year. Especially if you have grandchildren headed for college—or even a private elementary school or high school—you should systematically utilize the gift exemption to fund a 529 plan: an account that grows tax-free and allows tax-free withdrawals for qualified educational expenses.

14. Review this list and all your documents annually.

Let's face it: things change. As long as our life circumstances change, we will need to review our planning to make sure it still accurately reflects our current circumstances. Marriages, divorces, deaths or severe illness of family members, sale or purchase of businesses, and many other life events can create the need for adjustments in your estate plan. No plan, regardless of how expensive it was to create, can survive the passage of time without the need for review.

One final note … As you read and reflect on the list above, you may realize that the main investment you must make to complete it is time. Certainly, compiling all this information and carrying out all these steps will require a fair amount of your time. But isn't the security and peace of mind of your family worth it?

Stay Diversified, Stay *Your* Course!

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