

Avoid These *Estate Planning* Mistakes

You save and invest to meet a variety of goals during your lifetime: college for your children, long vacations, a comfortable retirement, and so on. But you probably also want to leave something behind—to your loved ones and, possibly, to the charitable organizations you support. To do so, you'll need to develop a comprehensive estate plan, but to make that plan work, you must avoid some common mistakes.

Here are a few of these pitfalls you'll want to avoid:

- **Not Writing A Will**

If you were to die "intestate"—without a last will and testament—the state in which you live would determine how your property was distributed. And the state's decisions may not match what you had in mind at all. Furthermore, a will is where you would name guardians for your minor children.

- **Not Going Beyond A Will**

While a will is an essential component of estate planning, it's often not enough. You may need to create other documents, such as a living trust, which, among other benefits, enables your estate to avoid probate, a time-consuming and public process that can lead to disputes among your heirs and others. And a living trust lets you place

highly specific conditions on how and when you want your assets distributed. You might also consider other legal documents, including a power of attorney, which allows you to appoint a person or organization to handle your affairs if you can't do so yourself, and a health care directive, which lets you name someone to make health care decisions on your behalf, should you become physically or mentally incapacitated.

- **Choosing The Wrong Executor**

An executor is responsible for distributing property to your beneficiaries and paying off any debts and taxes your estate may owe, among other tasks. Because the role of executor is so important, you need to choose someone who is reliable, competent and trustworthy. It's certainly possible to find such an individual in your own family, but many people choose someone who is either conflicted, too busy or simply not up to the task. If you have doubts about picking a good executor, you may want to turn to a trust company. The costs likely will be higher than if you chose a family member, but the results may be much better.

- **Not Naming Proper Beneficiaries**

Many of your assets—401(k), IRA, life insurance and so on—require you to name a beneficiary. These beneficiary designations are powerful,

often superseding the instructions in your will. If circumstances change in your life, such as new children, or divorce or remarriage, you may well want to change beneficiaries. It's easy to do—but it's also easy to overlook.

- **Not Updating Ownership of Assets**

A change in your family situation or changes in the laws governing income and estate taxes could require you to update ownership designations of financial assets.

- And here's perhaps the biggest mistake of all: **Not Understanding What's In Your Estate Plan.** You need to work closely with your tax, legal and financial professionals to create a plan you fully comprehend and can communicate effectively to your loved ones. Surprises are often pleasant in many areas of life—but estate planning is not one of them.

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