

Life-Stage Estate Planning

80 percent

Fun fact: The relative amount of parents who do not share information regarding their inheritance plans with their children. (Scroll down for more fun facts).



Dear Valued Friends and Clients:

We've written before how a little strategic long-term thinking is good for your financial health. Tying in your personal financial goals with the goals for your investment portfolio helps you to stay the course when the course gets rocky. As with investments, being strategic with your estate plan is another best practice we encourage for our clients.



A map is the picture we have in mind here because finding your way is always easier when you can see things on a map. A color-coded view of a city from thousands of feet up makes everything clearer. A good map gets you to your destination on time, without any wrong turns or backtracking. Thinking about an estate plan can feel a lot like driving around without a map. It's hard to know which exits to take, and if you miss an exit, you can quickly find yourself unable to turn around.

Fortunately, most people only need a few basic directions to get their estate to where it needs to be. New essentials of estate planning come with every stage of life and should be dealt with soon after a need arises. These "stages" range from those who are just starting out to empty nesters to those with a lot to give post-retirement. We've got something for everyone below and feel free to read them all or jump to the one that most describes where you are at today.

Bottom line - Even though you might not think it is important now, estate plans are usually called on unexpectedly. It's never too early to start looking at a roadmap.

Starting Out-Young and Single

It is unfortunate how many young people pass by areas of estate planning, assuming that it is not applicable to them. While it may be true that the young and single can get away with the least amount of estate planning, some parts are no less essential. This is the time of life when the foundation for future planning is laid and the necessities and goals of a solid estate plan are learned.

The simplest parts of estate planning to establish are beneficiaries to life insurance and retirement accounts. Typically required by insurers or financial services firms, stating the beneficiaries of a plan can drastically reduce the amount of time and money lost during the payment of the policy or plan. Between life insurance and retirement plans offered by employers, single adults in their 20s are typically worth well over \$100,000. A few simple documents can establish their wishes and give property to the most fitting parties.

If a young adult dies intestate (that is, without a will), the ruling court will likely award his or her estate to the closest relative, usually parents or a sibling. Even if these are the same individuals the young adult would choose anyway, having a legal will of some kind can greatly reduce court fees and stress on family members charged with trying to catalog the estate. At this stage of life, wills can be simple and cheap to create. No matter how old an adult is, having a will should never be overlooked.

Additionally, young adults should establish a "living will" or health care power of attorney so that in the event of an incapacitating accident, someone is able to make legal decisions regarding treatment. Though a chilling topic avoided by many, these documents can be essential to settling familial legal battles over a person's well-being.

Family First-Young and Married

Things change when two people become legally bound to one another, and once children enter the scene, everything about life (including estate planning) needs to be reevaluated. The two biggest changes that planners find after they have started a family are the joint-ownership of property and their considerations for their children's future.

To protect the children and ensure that they are raised in the best possible way, parents should draft new wills that list the people they would like to have become legal guardians of the children in the event they both die. Without a will granting custody, legal battles between families can erupt. Even if both sides are perfectly compliant, the court might give preferential consideration to an individual because of his or her relationship. Though a court would never knowingly make a decision that might endanger a child, proactive parents should want to select a guardian who will raise their children as they would have.

The other new challenge to the estate is the determination of marital property. Though a basic will and intestate guidelines will almost always give large marital property to the surviving spouse, the property will still have to go through probate (the legal process of carrying out a will). Since probate incurs fees and causes inconveniences, some couples engineer for trusts to be created upon their death, simplifying the transfer of ownership.

A few states like Wisconsin have community property with an automatic right of survivorship. In these states, marital property is owned by the couple and passes to the survivor outside of probate. This makes the transfer of property essentially instant and saves time and money. Fortunately, couples living in common law states can file for joint-ownership with the right of survivorship for their property. Since this joint-ownership must be declared for each piece of property, it is unlikely to be used for every item; however, filing for joint ownership on expensive property, like houses and cars, can still be enough to greatly simplify an estate plan.

Sudden Change-Divorce

The one rule of thumb for estate management at divorce is making sure a former-spouse's name is removed from all property and legal documents used in the future. A court or lawyer will normally sort out property ownership at divorce, but there is no requirement that estate documents be updated. Horror stories are told of people passing away with wills they did not update, passing property to an ex-wife or ex-husband and leaving nothing to their kids. It is wise to update a will during a divorce and essential to do so after a second marriage.

In the case of children from a prior marriage, trusts should be considered for the management of property. Used correctly, a trust (a legal entity that holds property) can allow an individual to provide income for a surviving spouse while still ensuring the remaining property is passed on to the children of the first marriage. When property is left solely to the surviving spouse via a will, there may be a future chance that the children of the first marriage will be ignored or disinherited.

The Empty Nest-Middle Age

Though a golden age for investing and growing an estate due to high incomes and relatively lower expenses, a prepared middle-age couple or individual will likely be on estate planning auto-pilot. Other than being able to name their children (now legal adults) as direct inheritors or beneficiaries, little should need changing in their plan documents.

With still plenty of time in front of them, monetarily successful individuals might consider planning out advanced methods of avoiding estate taxes in the future.

A Lot to Give-Retirement

Post-retirement can be a tricky time for estate planning. While many people at this age get a lot of pressure to make sure their "affairs are in order," there is still plenty that they plan to use their money for. On the opposite side, the desire to travel or give gifts to family and friends is checked by the lack of income and the need to limit spending.

We think the most important thing a retired couple or individual can do is have an idea of how much they are worth. A thorough list of all property will not only give a good idea of the rate that they can spend money during retirement, but can reveal any potential exposure the couple's estate might have to taxation. Though it is not necessary to catalog and list every single item, investment and bank accounts, houses and life insurance policies can help indicate whether a couple's estate is approaching the maximum tax exemption, 5.49 million per person.

If estate taxation is a concern, a gifting and trust creation can be especially useful. Gifts under the federally designated amount (currently \$14,000 per receiver annually) are not taxed and do not count toward the lifetime exemption. Early planning can be essential with this method of transfer because all gifts given within three years prior to death (excluding charities) will be considered part of the estate.

Because of the greater potential for health problems, people past retirement age should make certain they hold a living will or appropriate power of attorney in case of medical incapacitation. It is also prudent for a living will to be reviewed every few years to ensure it reflects current opinions and options on health care.

Finding your Way

Putting together an estate plan is usually last on people's list of things they like to do. Estate planning can be uncomfortable, incurs fees and can generate a lot of stress. However, once the planning is complete, we find it is a source of confidence for our clients. It is a way for people to rest easy knowing they have done everything in their power to ensure successful and purposeful transfer of their property. Planning is as much a service to yourself as it is to the loved ones you are providing for.

With a little motivation and experience from a qualified legal professional, estate planning can be dealt with thoroughly and efficiently. The directions can be written clearly and all the road signs pointed out, allowing you to reach your ideal goals the easiest way possible.

By the Numbers: Inheritances

Ever since the sudden death of music icon Prince last year, estate planning seems to be getting more coverage by the media than ever before. With this, there seems to have been renewed emphasis on the importance of having a will and dictating how your estate will be distributed. Consider the following statistics regarding inheritance in the United States.



\$69,000

The median inheritance for Americans in 2010.

20-50 percent

The amount of total household wealth accumulation in the U.S. that can be attributed to inheritances.



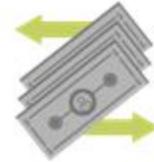


70 percent

The approximate percentage of families who lose their wealth by the end of the second generation; about 90 percent lose their wealth by the end of the third generation.

\$ 30 trillion

The expected transfer of wealth from baby boomers to Gen X and Millennials over the next 30 years.

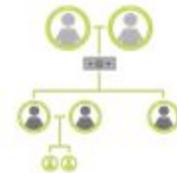


33 percent

The approximate percentage of Americans who receive an inheritance that had negative savings within two years.

75 percent

Share of inheritances that come from parents. Only about 15 percent comes from grandparents.



Over 50 percent

Amount of 16,000 global respondents said that they expect an inheritance of some sort, according to a 2015 survey from HSBC. Of those who expected a windfall, nearly two-thirds planned on using it to fund their retirement.

As always, we appreciate your business and stand ready to discuss and review any changes or updates in your personal situation. If someone you know would benefit from this newsletter, please feel free to pass it along. We look forward to continuing to serve you in all of your investment and planning needs.

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