

Key Estate Planning Mistakes to Avoid

Too many people make these common errors.

Provided by J. Marshall Associates

Many affluent professionals and business owners put estate planning on hold. Only the courts and lawyers stand to benefit from their procrastination. While inaction is the biggest estate planning error, several other major mistakes can occur. The following blunders can lead to major problems.

Failing to revise an estate plan after a spouse or child dies. This is truly a devastating event, and the grief that follows may be so deep and prolonged that attention may not be paid to this. A death in the family commonly requires a change in the terms of how family assets will be distributed. Without an update, questions (and squabbles) may emerge later.

Going years without updating beneficiaries. Beneficiary designations on qualified retirement plans and life insurance policies usually override bequests made in wills or trusts. Many people never review beneficiary designations over time, and the estate planning consequences of this inattention can be serious. For example, a woman can leave an IRA to her granddaughter in a will, but if her ex-husband is listed as the primary beneficiary of that IRA, those IRA assets will go to him per the beneficiary form. Beneficiary designations have an advantage – they allow assets to transfer to heirs without going through probate. If beneficiary designations are outdated, that advantage matters little.^{1,2}

Thinking of a will as a shield against probate. Having a will in place does not automatically prevent assets from being probated. A living trust is designed to provide that kind of protection for assets; a will is not. An individual can clearly express “who gets what” in a will, yet end up having the courts determine the distribution of his or her assets.²

Supposing minor heirs will handle money well when they become young adults. There are multi-millionaires who go no further than a will when it comes to estate planning. When a will is the only estate planning tool directing the transfer of assets at death, assets can transfer to heirs aged 18 or older in many states without prohibitions. Imagine an 18-year-old inheriting several million dollars in liquid or illiquid assets. How many 18-year-olds (or 25-year-olds, for that matter) have the skill set to manage that kind of inheritance? If a trust exists and a trustee can control the distribution of assets to heirs, then situations such as these may be averted. A well-written trust may also help to prevent



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arguments among young heirs about who was meant to receive this or that asset.³

Too many people do too little estate planning. Avoid joining their ranks, and plan thoroughly to avoid these all-too-frequent mistakes.

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Citations.

- 1 - thebalance.com/why-beneficiary-designations-override-your-will-2388824 [10/8/16]
- 2 - fool.com/retirement/2017/03/03/3-ways-to-keep-your-estate-out-of-probate.aspx [3/3/17]
- 3 - info.legalzoom.com/legal-age-inherit-21002.html [3/16/17]

2017 Select Club 1st Qtr. Prize Winner

Congratulations to Ray Mitchell, the 1st qtr. prize winner for the 2017 Select Club quarterly prize drawings.

Ray received a \$50 gift card to Bittersweet Farms.

Keep an eye out next qtr. for the next Select Club winner. It could be you!

