ESTATE PLANNING

Estate Planning in Six Manageable Steps

Getting started on your estate plan can be daunting. Breaking the process down into these six smaller tasks can help you avoid getting overwhelmed.

(Image credit: Getty Images)

Planning for your death is probably the last thing you want to do in your spare time. It involves a lot of moving parts, and remembering to include everything can be overwhelming — especially if you have a complex estate. Although it can be a dreadful experience with some difficult conversations, making an estate plan gives you control over what happens to you and your belongings once you die. If you don't have a plan in place, you are giving up that right, most likely putting the fate of your estate into the hands of a stranger.

Who should make an estate plan?

There's a common misconception that estate planning is only for the rich and famous; it's not. If you have a home, a car, a vacation property and valuables, you need to make a plan for how those things will be handled after you die or become cognitively impaired. Estate planning isn't just about determining how to distribute assets, it extends beyond that, including plans for your long-term health care, the guardianship of your minor children if you die prematurely and funeral arrangements.

If you're a young adult, you might feel like you have plenty of time to plan your estate, or that you don't have enough assets to make it worthwhile. But unfortunately, life is unexpected, and it's impossible to know what the future holds. The sooner you start planning, the better.

1. Start with an inventory of assets and liabilities.

It can be difficult to figure out where to start, but the best way to start is by taking inventory of your personal situation. Some experts suggest writing down everything you own, including both tangible and intangible assets. Tangible assets are physical items such as cars, furniture, homes and even jewelry. Intangible assets include items such as your bank accounts, retirement accounts, life insurance policies, investments and online accounts.

Keeping a running list of everything you own can prevent you from forgetting to include all your assets in your plan.

In addition to your assets, you'll want to list your liabilities. Liabilities are items you owe money on, such as a car, a home, credit card debt, loans and utility bills. If you die with debts, the amount will generally be paid using the money or property left in your estate. If you share any debts, your surviving spouse or co-signers may be responsible for paying them, depending on your state laws. A lawyer or legal adviser can help you with this.

2. Create a comprehensive will.

After listing all your liabilities and assets, you can begin assembling your will. Think of your will as a comprehensive guide that provides specific instructions on your final wishes. This includes naming beneficiaries, appointing financial and medical powers of attorney and naming an executor of your estate.

These people essentially speak on your behalf, so make sure they're someone you trust to act in your best interest. If you have minor children, you'll also want to figure out who will take guardianship over them in the event you die unexpectedly.

3. Make a medical plan.

The next step is to make a medical plan. In this part of the plan, you'll need to name a medical power of attorney. This person is responsible for making treatment decisions on your behalf. From there, you'll want to consider long-term care options. Where will you live as you get older? Who will be taking care of you should you fall ill or become incapacitated? These are all important questions that you'll want to talk about with your loved ones.

Another, perhaps grimmer, aspect of your medical plan includes end-of-life care. What will happen to your body once you're gone? Some people choose to donate their body to science, while others want to be buried or cremated. If you're an organ donor, be sure to include instructions on what you are and aren't willing to donate.

You can also take this time to review or obtain life insurance. These funds can help support your surviving family and pay for funeral costs but be sure to name beneficiaries as you see fit. If you don't, it will be extremely difficult for that money to be given to the person you intend.

4. Provide specific instructions for personal property.

When it comes to your personal property, you need to be specific about how those items will be distributed. Who will get what? This area can cause a lot of tension between surviving family members.

If your instructions are vague, it can become an expensive hassle for your family that can drag out in court.

5. Decide who will oversee your finances.

In addition to a medical power of attorney, you'll also need to include a financial power of attorney. This person will be responsible for handling all decisions relating to your finances.

When making a plan for your finances, consider estate taxes, trusts and all investments. A financial adviser can help you determine what to include in this part of the plan based on your financial situation.

6. Set up a plan for your digital estate.

These days, most of us have some sort of digital presence. This includes everything from social media and email accounts to online banking, gaming and shopping.

Be sure to list all your accounts and include login information for each. Include instructions for closing the accounts or transferring them to a beneficiary if applicable.

Understanding the probate process

You may have heard about probate. The term typically carries a negative connotation, and it can be a nightmare if you don't plan accordingly. Probate is the formal legal process that recognizes your will and officially appoints an executor or personal representative to administer the estate and distribute assets.

If you've named a specific executor in your plan, the court will officially appoint them during this process.

Probate processes can vary between different states, and in some cases, an estate may not be required to go through probate at all. This is where the importance of your plan comes in. Without an estate plan, the court will determine how your estate should be distributed based on the laws in your state. If there are any vague instructions, or missing portions of your estate plan, your estate will most likely need to go to probate — which can be expensive for families and can take years to finalize.

Don't set it and forget it

Life is fluid, and your estate plan needs to be able to adapt. Make sure beneficiaries and powers of attorney are up to date. It's best to revisit your estate following major life changes, such as a marriage or kids.

There are a lot of steps to creating an estate plan, but it's important to not take it all on by yourself. Start having conversations with your family members about your specific wishes and plans and consult with estate attorneys. They can help you draft all the necessary documents according to the law, which will make it easier for your family in the event your estate goes to probate.

NYSUT NOTE: Whether you're a young adult, in mid-career or nearing retirement, an estate plan is key to making sure your wishes for your assets, health care and family are followed. The NYSUT Member Benefits Trust-endorsed Legal Service Plan provides access to a national network of attorneys who can advise on estate planning and other personal legal matters.

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