ESTATE PLANNING

Five Estate Planning Things You Need to Do Now

For a solid estate plan, you should put powers of attorney in place, designate beneficiaries, tackle tax planning and more.

(Image credit: Getty Images)

Everyone wants an estate plan, but not everyone has one.

Sadly, a recent Caring.com survey indicates that 67% of Americans are likely to die without an estate plan. In my opinion, everyone ages 18 and up should have a basic estate plan in place.

Here are five key tasks you should complete right away to safeguard your family.

1. Designate health care and financial powers of attorney.

One of the main reasons everyone should have an estate plan in place is to ensure someone is designated to make health care and financial decisions on your behalf in the event that you are incapacitated.

NYSUT NOTE: The NYSUT Member Benefits Trust-endorsed Legal Service Plan can help members create key estate planning documents, such as health and financial powers of attorney.

2. Choose beneficiaries for your IRAs and 401(k)s.

If you do not have beneficiaries on these accounts, then they will go to probate, a court-supervised distribution of assets that can cost 4% to 7% of an estate. So if you don't want your family to pay tens or even hundreds of thousands of dollars in legal fees, you need to plan to avoid this. Designating beneficiaries is an easy and quick fix. Just make sure you update them if your beneficiaries pass or plans change.

3. Put in place transfer on death (TOD) designations.

If you have nonqualified assets, like a house or a joint investment account, you will want to make sure it has a TOD in place. A TOD allows your assets to pass without probate. This is something many people often neglect to do. Understand that having a beneficiary will not avoid probate for these assets. You must take this additional TOD step.

4. Implement tax planning strategies.

An estate plan goes far beyond the documents listed above. Good estate planning, in my mind, involves being tax-smart and proactively positioning your assets to keep Uncle Sam out of what you have accumulated over all these years. I feel so strongly about this topic that I wrote a book about it — *I Hate Taxes*.

It is important to understand tax-efficient strategies like Roth conversions and setting up trusts to best plan for these tax opportunities. We would advise you to seek guidance from a retirement planning firm specializing in tax planning. Our firm has a list of over 50 tax-saving strategies that we look to implement for each of our clients. Many of those strategies can be found in the book I mentioned!

The other important tax to be aware of when considering transferring wealth is the estate tax. This is not a concern to many right now, considering the current limit before you have to pay estate tax is almost $13 million. However, even if you do not have that much wealth, I would still encourage you to start considering planning for estate taxes. Why? Because the estate tax limit will get cut in half in 2026 due to the expiration of the Tax Cuts and Jobs Act. And the estate tax limit has been well under $1 million as recently as 2001.

And remember, our country is more than $30 trillion in debt. Do you think they will find ways to get hardworking and smart people to pay more taxes? The way estate taxes work is that any money you have over the limit could be taxed at a 40% tax rate, leaving almost as much money to Uncle Sam as to your beneficiary. The good news? Through effective tax planning, you can find ways to avoid having Uncle Sam as a beneficiary when it comes to estate taxes.

5. Do your due diligence.

Lastly, if you are working with a financial planner, we suggest that you make sure your adviser works closely with an attorney to help ensure you get the right documents in place while avoiding things you do not need. We have seen that happen far too many times.

For example, some clients of ours attended a steak dinner held by an estate planning attorney who tried to sell them a $3,500 estate plan. Our clients met with the attorney with whom we work closely, and the clients walked out of those discussions paying only $750. The steak dinner attorney was trying to sell them something they did not need to make more money. So my point is: Make sure you do your due diligence and find a group you can truly trust.

NYSUT NOTE: Estate planning is just one aspect of a comprehensive financial plan. The NYSUT Member Benefits Corporation-endorsed Financial Counseling Program offers access to a team of Certified Financial Planners® who can help with all your planning needs.

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