

UPDATING YOUR ESTATE PLAN

When should you review it? What should you review?

BY DOMINIC LUCENTE

An estate plan has three objectives. The first goal is to preserve your accumulated wealth. The second goal is to express who will receive your assets after your death. The third goal is to state who will make medical and financial decisions on your behalf if you cannot.

Over time, your feelings about these objectives may change. You may want to name a new executor or health care agent. You may rethink how you want your wealth distributed.

This is why it is so vital to review your estate plan. Over ten or twenty years, your health, wealth, and outlook on life may change profoundly. The key is to recognize the life events that may call for an update.

Have you just married or divorced? If so, your estate plan will absolutely need revision. For that matter, some, or all, of your will may now be legally invalid. (Some state laws strike down existing wills when a person is married or divorced.) If your children or grandchildren marry or divorce, that also calls for an estate plan review.¹

Has there been a loss or serious illness within your family? If so, your named executor or health care agent may have to be changed. If one family member has now become physically or financially dependent on you, that too may be an occasion for a second look at the plan.

Has your net worth risen or declined substantially since the plan was first implemented? If you have become much wealthier in the past five or ten years (or much less wealthy), that circumstance may have altered your vision of how you want your assets distributed at your death. Maybe you want to give more (or less) to charity or your heirs. A large inheritance can also prompt you to rethink your wealth protection and wealth transfer strategy.

Have you changed your mind about what your wealth should accomplish? Today, you may view your wealth differently than you did when you were younger. New purposes may have emerged for it – new roles that it can play. Following through on those thoughts may lead you to reconsider aspects of your estate plan.

Have your executors or trustees changed their mind about their roles? If they are no longer interested in shouldering those responsibilities, no longer alive, or no longer of sound mind or reputable character, it is revision time.

Have you retired, moved to another state, or bought or sold real estate? All of these events call for an estate plan check-up.

The first step in revising an estate plan is to update essential documents. Not just your will or your trust, but also your financial power of attorney and health care proxy. Review all the names: your executor; your trustee; your health care agent. Changes in your personal (and even your business) relationships may call for alterations to those choices.

The second step is to review your risk management. Does language in your will need revision? Does a trust created years ago need to be modified or replaced? Do new estate planning vehicles need to enter the picture in order to help you adequately transfer wealth, counter estate taxes, or endow charities?

What about your life insurance? Do beneficiary forms of life insurance policies need updating? Is corporate-owned life insurance coverage you once counted on now absent? Will policy payouts be sufficient enough to help your loved ones address financial issues after your death?

The third step is to make sure your assets are in sync with your plan. For example, if you have a revocable trust, have you transferred ownership of all the assets that are supposed to go into it? Have you acquired new assets that need to be “poured in?”

If you are married and it appears certain that your estate will be taxed, you may want to own some assets and have your spouse own others. Yes, the federal estate tax exemption is portable, so any unused estate tax and gift tax exemption is allowed to pass to a surviving spouse. At the state level, though, there are different rules. So if all assets are in your spouse’s name and your home state levies an estate tax, that scenario may mean higher estate taxes for your heirs than if those assets were alternately owned by either you or your spouse.²

Even if nothing major happens in your life, review your plan every five years or so. While your life may be uneventful over five years, tax law, the financial markets, and business climates may change significantly. Those kinds of shifts can impact your estate planning strategy.

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Citations. 1 - 360financialliteracy.org/Topics/Retirement-Planning/Estate-Planning-Basics/How-often-do-I-need-to-review-my-estate-plan [8/4/16]; 2 - time.com/money/4187332/estate-planning-checkup-items-review/ [1/20/16]

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