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## 5 Steps to Help Create an Estate Plan

This article was written for Wells Fargo Advisors.

When it comes to estate planning, procrastinating is easy. The task of getting your house in order can seem daunting and the topic uncomfortable. In fact, while the majority of Americans believe that all adults should have an estate plan, only 44% have actually created one, according to a 2011 LexisNexis survey.\* Unplanned estates may have to wind through probate court, leaving state law to determine the disposition of your assets.

"The time to devise an estate plan is now, if you haven't already," says John Padberg, Vice President of Life Event Services and Estate Planning for Wells Fargo Advisors. Many people equate estate plans with wills, he says, but a well-thought-out structure involves much more. There are many tools, such as living trusts and financial and health care powers of attorney, that can help trusted professionals and family members manage your affairs if you cannot.

Planning needn't be stressful, and the results often confer the comfort of knowing your assets will be distributed in an orderly way. Padberg offers five steps to help you create an estate plan to accomplish that goal:

- 1. Work with an experienced estate planning attorney.** It takes specialized expertise to create a plan that includes all the necessary elements and meets your specific needs. A solid estate plan will likely consist of several documents, which may include the following:
  - o A **will**, which states how individually owned assets are to be distributed upon death
  - o A **living will**, which communicates your wishes regarding life-prolonging medical treatments
  - o **Powers of attorney**, which designate another individual to handle financial or health care matters if you are incapacitated
  - o **Revocable trusts**, which can be useful in avoiding the probate process in states where probate is burdensome, and which can be altered or canceled according to your wishes

Creating a well-designed plan will require input from both your attorney and your Financial Advisor. Your Financial Advisor may be able provide some options for legal assistance if you do not yet have an estate planning attorney. "You want to make sure your estate planning attorney's skill level is commensurate with the complexity of your plan," Padberg says.

- 2. Assess your assets.** Before drafting your estate plan, ask your Financial Advisor to prepare a financial net worth statement for you. This will give you a clear sense of what you are working with. Also, review your beneficiaries listed on critical documents such as life insurance policies and retirement plans. Beneficiary designations determine how those assets will be distributed, Padberg cautions, so you want the named beneficiaries to reflect – and not undermine – your intentions.
- 3. Define your goals.** An estate plan is also your opportunity to direct how your wealth will be passed on to the next generation. "You want to think as much about how you want to pass your assets – outright to your heirs or distributed through a trust – as you do the amount that each person should get," Padberg says. For instance, leaving a large sum to a child or young adult may create long-term issues if the child lacks the skills or maturity to manage such a windfall. Ask your Financial Advisor about trusts that can be established to control the distribution of inherited funds.

If you want to bequeath money to a charity, ask your Financial Advisor and estate planning attorney about the many charitable giving strategies that are available. They can offer guidance on choosing the technique that best fits your philanthropic goals.

- 4. Determine your tax liability.** Under the "fiscal cliff" agreement enacted in early 2013, individual estates worth \$5.25 million or less – and double that amount for married couples – can avoid federal estate taxes. Amounts that exceed the exclusion amount are taxed at a rate of 40%. Work with your tax advisor and Financial Advisor to determine your current estate tax liability and project any future liability. Consider the impact those taxes could have on how you wish to eventually pass your assets on to your family.

"The planning will be different – and more sophisticated – if you're planning for a tax bill," Padberg says.

- 5. Update your plan.** Life is about change, so it's crucial to make sure your instructions are always current. That means updating your estate plan whenever you experience a major life event – a new baby, a marriage, a divorce. Otherwise, your plan could not only fail to contemplate new circumstances the way you want but could also increase the potential for outside challenges, such as those from disgruntled family members.

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Ambiguity and conflicts about your intentions could have a disastrous impact on your family, Padberg notes, so preventing them is typically well worth the investment of time and money. "If you don't have a comprehensive estate plan in place, you're leaving it to state law and the courts to decide your legacy for you," he says.

**Talk With Your Financial Advisor About:**

- Whether you need an estate attorney
- Taxes your estate may be subject to
- Ways to help ensure your estate plan always supports your current priorities

\* "[EZLaw Survey Finds Most Americans Recognize the Importance of a Will or Estate Planning, Yet Few Have Necessary Documents in Place](#)," LexisNexis, 19 July 2011.

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