

CONSIDER THESE FINANCIAL TIES THAT BIND COUPLES

Marriage is both a romantic union and a financial one. You and your intended spouse may be deeply in love, but you also need to take an unemotional look at how both of you plan to use current and future assets. In addition, you should discuss your expectations regarding how you would like to be cared for should you become incapacitated. Of course, you should discuss such issues throughout your marriage.

ARRANGE A PRENUPTIAL AGREEMENT

If you have substantial assets before marriage (e.g., houses, investments, business ventures), a prenuptial agreement may be in order. A prenup can ensure that those assets are available to you in the event of a divorce. You especially should consider a prenup should you have minor children from a previous marriage or are taking care of an elderly parent. Both you and your intended spouse should draw up a prenup before the wedding with the assistance of attorneys (one for each of you) who specialize in the area.

MAKE A WILL

A will ensures that your assets are distributed according to your wishes to family members or other beneficiaries. With no will in place, state law determines what happens to your property. A will also lets you place certain conditions on your assets, such as holding assets in trust for your children until they reach a certain age. Without these conditions, your children will receive their inheritance outright at age 18.

A will also allows parents to name a guardian who will care for their minor children should something happen to both parents. In the absence of this provision in a will, the court will appoint a guardian for the children.

DETERMINE HOW INDIVIDUAL ASSETS SHOULD BE DISTRIBUTED

Don't underestimate the importance of this step and don't assume that family members will work things out among themselves. Instead, you should openly discuss with the individuals involved your desire for them to have items of sentimental and monetary value. This avoids misunderstandings and helps to ensure that your treasured possessions go to those you have in mind.

REVIEW AND UPDATE YOUR BENEFICIARY DESIGNATIONS

Life insurance policies, retirement plans and payable-on-death accounts are all considered contracts in the sense that the beneficiaries you designate will inherit these assets directly, regardless of what your will states. Make sure you update your beneficiary designations after a marriage, divorce or other major life event.

SELECT A QUALIFIED EXECUTOR FOR YOUR ESTATE

An executor is responsible for paying your debts and distributing your assets in accordance with your will. The most obvious choice for many individuals is their spouse or oldest child, but you may want to consider other options, particularly if settling your estate is likely to be a lengthy or complicated process. A professional executor, such as a CPA or other trusted advisers, will be more experienced at administering estates and adds the benefit of impartiality in distributing your assets.

MAKE SURE YOUR FAMILY KNOWS WHERE TO FIND VITAL DOCUMENTS

It's a good idea to prepare a list for your executor that shows where all important documents and assets are stored. This should include birth, marriage and death certificates, especially of children, spouses and other potential heirs. You will want to include important financial records, such as stock certificates, insurance policies and retirement account statements. And don't forget online user identifications and passwords for bank accounts, credit card issuers and social media sites, such as Facebook and Twitter. Be sure to also provide your executor with the names of your attorney, CPA, stockbroker and other advisers.

TAKE ADVANTAGE OF THE ESTATE TAX EXEMPTION

Most estates will not be subject to federal estate taxes. Regardless, you should check the Internal Revenue Services website (www.irs.gov) to find out whether your estate will be subject to the tax. Note that estate tax exemptions allow you to leave bequests up to a certain amount free of any federal estate tax to beneficiaries other than your spouse or charities. If you're married, you and your spouse are each entitled to separate exemptions. Transfers between spouses are nontaxable.



MAXIMIZE THE ANNUAL GIFT TAX EXCLUSION

To minimize future estate costs, the IRS allows you to make annual tax-free gifts to any number of individuals. In addition, the future appreciation on the gifted assets will be transferred out of your estate. Gift amounts can be found on the IRS website (www.irs.gov).

MAKE A LIVING WILL

Also known as an advance healthcare directive, a living will expresses to your family and to your healthcare providers what medical procedures (life-prolonging, pain-relief, etc) you do and do not want and those you do not want performed in the event you are unable to express these desires yourself. You also can appoint a “healthcare proxy” to make decisions on your behalf that are not covered by your living will. Discuss your desires with your family and healthcare proxy.

DRAW UP A POWER OF ATTORNEY

If you are incapacitated or otherwise unable to take care of your financial affairs, a durable power of attorney will give a trusted individual the ability to pay your bills and manage your affairs during your incapacity. Your will has no effect during your lifetime, and a living will only addresses your medical affairs. Durable powers of attorney fill in the end-of-life planning gap and avoid expensive court proceedings to have a guardian or conservator appointed to handle your affairs.

In summary, an effective estate plan requires the advice and experience of professionals skilled in estate planning. It also necessitates thoughtful planning not only about the distribution of your property, but also about how you want to manage certain healthcare issues. A CPA can work with your attorney and other professionals to build an estate plan that meets your objectives. 🔄

