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OPINION

Today's Business: Where to start estate planning

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As the ancient Chinese philosopher Lao Tzu once said, “The journey of a thousand miles begins with one step.” But what is that first step when it comes to estate planning?

Before diving into complex research about wills, trusts, ILITs, SLATs, QTIPs, etc., it's important to understand that there is no “one size fits all” estate plan. Rather than getting overwhelmed with these technical details upfront, start by following a few simple steps.

First, understand what an estate plan actually is

In simple terms, an estate plan is the process of organizing the orderly transfer of your wealth from one generation to the next. It refers to how your assets will be distributed after your death, who will inherit them, who will manage the distribution, and how your estate will be handled moving forward.

Next, identify your assets. Assets refer to anything of value that you own. This includes your house, car, bank accounts, investment accounts, jewelry, artwork, business interests, retirement accounts, annuities, and life insurance. To begin your estate planning journey, it's important to identify and quantify what you own. Make a list of your assets, including:

- The owner(s) of each asset.
- Determine if beneficiary(ies) designated.
- The current values of the assets.

How is your and your family's health?

Consider your own health, as well as that of your spouse or children. Do you anticipate needing to provide care for a loved one after your passing? Is anyone in your family currently receiving government benefits? These important factors may impact how you structure your estate plan.

One significant decision is your choice of the right executor/trustee/fiduciary.

It's essential to select someone who is both completely trustworthy and capable of managing the distribution of your assets efficiently. This decision isn't about popularity or "honoring" someone; it's about choosing a fiduciary who can navigate family dynamics, handle financial tasks, and ensure everything is done according to your wishes.

An effective executor should have the skills to work with financial institutions, sell property (such as real estate or vehicles), and file necessary paperwork on time. It's a big responsibility, so make sure the person you choose is up to the task.

Other considerations

In today's digital age, it's crucial to consider your online presence. Be sure to compile a list of passwords for your cellphone, online accounts, financial institutions, and social media accounts. This ensures that your estate manager can easily access and close accounts as needed after your passing.

A common goal for many when creating an estate plan is to avoid probate. But do you know what probate is? In short, probate is simply the legal process of validating a will and distributing assets under court supervision. There are strategies available to help avoid this process, depending on your goals and the nature of your assets. A good choice for some — but not everyone.

Tax implications are another important aspect to consider when creating your estate plan. The current federal estate tax exemption is $13.991 million, meaning that if the total value of your estate is below this threshold, you will not owe any federal estate taxes.

Follow these foundational steps and you'll be well on your way to creating a comprehensive estate plan that reflects your unique needs and priorities.

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