PROFESSIONAL FINANCIAL
Purposeful Wealth Management

Wealth Planning Report

The Essentials of Wise Estate Planning

You certainly spend time planning how to give your family a good life with your assets in the here and now—things like travel and college. But are you likely not thinking much about planning how to distribute a lifetime of assets and to prepare those you deeply care about for what needs to be done *after* you're gone?

Even if you made substantial progress in the past (while many have made none), your estate and legacy planning could be a little—perhaps even a lot—dated or maybe no longer relevant.

If that describes your situation, don't panic. Chances are, you can get your essential planning back on track by focusing on three key estate planning areas: wills, trusts and fiduciaries.

The Essential Will

A well-drafted will should be the foundation of every estate plan—the starting point for a strategy to effectively transfer assets at the right time, in the right way, with the right help.

A will identifies exactly what you want to have happen with the assets of your estate. Dying with no will means your default choice is that the state knows what's best for your family. Dying with no will can make the settling of your estate needlessly complicated, costly, and publicized.

We strongly believe the benefits of a thoughtfully drafted will far outweigh any negatives.

Advantages:

- You decide exactly how your years of hard-earned wealth will be disposed of.
- Estate taxes and related costs may be mitigated or avoided—especially when a will is coordinated with trusts as part of a planned strategy.
- You decide the specific fiduciaries you will entrust with carrying out your wishes according to your planning.

Disadvantages:

- You must acknowledge that one day—hopefully far in the future—your body will die.
- There may be significant costs connected with consulting for a thoughtful, well-drafted will and related documents.

The Essential Trust

A second component of a wise estate plan often includes a trust and sometimes more than one. A trust lets you transfer title of your assets to trustees for the benefit of those you care about and who continue to need a level of guidance—typically family members and other beneficiaries you designate, such as charities. Trustees that you appoint will carry out your intentions in the best way.

Trusts can be customized in a variety of ways to transfer wealth and determine the best manner of distribution. Trusts also can be used in connection with wealth protection strategies.

Broadly, there are two types of trusts: living (set up while you are alive) and testamentary (created by your will after you've passed). Within those types, two fundamental structures exist:

- A revocable trust allows you to retain full control over the assets held in trust. You can add or take out money as you choose as well as modify trust terms if changes are needed.
- An irrevocable trust is one to which you normally can make no future changes.

SELECTING THE ESSENTIAL HELP

The third area is fiduciaries. A fiduciary is a person or organization such as a trust company that is ethically and legally bound to act in a trustworthy manner and to oversee the "best interest" handling of that person's resources.

Examples: For your will, an executor that you name is a fiduciary. For your trusts, someone (or some institution) named as trustee is a fiduciary. And if you have children who are minors, trustworthy guardians must be named—people both willing and able to take care of your children as you would want if anything were to happen to you and your spouse.

1. Executors and trustees. An executor of your will has substantial responsibilities, including:

- Collecting and organizing your assets and accounts
- Paying debts you justly owe
- Acting as a collection agency for money due you
- Handling all necessary tax matters, including multiple filings

- Ensuring that assets are fairly and properly distributed to beneficiaries

When you set up a trust, you are specifying how you want the estate assets and resources to be managed. The trustee's responsibility is to make sure that your wishes are diligently carried out. Their explicit responsibilities will vary depending on the terms of the trust established, but would include:

- Ensuring the proper tax forms are filed correctly and timely
- Making investment decisions and distributions properly
- Working with beneficiaries and managing their expectations regarding timing of distributions

2. Guardians. Three key criteria must need to be considered in making this decision:

- Will the guardian(s) love and care for your children?
- Are the guardian(s) capable of responsibly raising your children?
- Will the guardian(s) raise your children aligned with your morals and values?

Many times the decision about who should be guardian of your children is obvious. Example: Your sister-in-law wants the responsibility and you are confident she will do an excellent job (as she has similar views on raising the children). Many times, however, the "perfect" person or couple doesn't exist. Keep in mind that even a less-than-ideal choice made today is better than the best court appointed decision. Changing circumstances can offer better guardian possibilities. And over time, children will cease to be minors, but may still need a trustee for the assets you leave.

Time for an update?

An estate plan that's been in place without review five years or longer is not uncommon. Multiple changes in tax laws, your personal situation, or your family over even a shorter time could make your previous planning intentions disconnected with their optimal life goals you envision today.

We recommend that most family estate planning be reviewed every couple of years. Reviews should be conducted by a CFP® professional or a tax professional with some estate planning expertise—carefully reviewing your goals and objectives, learning what has changed, assessing how those changes impact your current goals and situation, and can work with the original or a competent attorney for seeing that legal documents including powers of attorney are updated, including beneficiary arrangements related to updated estate planning.

It's skill with combining technical ability in estate planning and a deep knowledge of you and your family's situation that leads to developing and maintaining effective estate planning strategies, leading to more confidence and peace of mind for you.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please contact us.

Paul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is a nationally recognized Wealth Management Certified Professional™ and Certified Financial Planner™ professional, written about in *Fortune, Forbes, Bloomberg Businessweek,* and *Money*. Paul is the co-author of *Retire Abundantly*. Reuters AdvisePoint once recognized Mr. Hill as one of 500 "Top Advisers" in the U.S. and featured him in an interview on their website.

Paul founded Professional Financial Strategies, Inc. in 1993 as one of the first fiduciary planning firms that specializes in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer acting in best interest of clients. He brings together a proven process and a network of specialists for making informed decisions for systematic strategies, secure income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award, and featured him with others in *The Wall Street Journal* and other publications.

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