

Estate Planning in 6 Simple Steps

Getting started on your estate plan can be daunting. Breaking the process down into these six smaller tasks can help you avoid getting overwhelmed.

Planning for your death is probably the last thing you want to do in your spare time. It involves a lot of moving parts, and remembering to include everything can be overwhelming — especially if you have a complex estate. Although it can be a dreadful experience with some difficult conversations, making an estate plan gives you control over what happens to you and your belongings once you die. If you don't have a plan in place, you are giving up that right, most likely putting the fate of your estate into the hands of a stranger.

Who should make an estate plan?

There's a common misconception that estate planning is only for the rich and famous; it's not. If you have a home, a car, a vacation property, valuables and family, you need to make a plan for how those things will be handled after you die, or become cognitively impaired. Estate planning isn't just about determining how to distribute assets, it extends beyond that, including plans for your long-term health care, the guardianship of your minor children if you die prematurely and funeral arrangements.

1. Start with an inventory of assets and liabilities.

It can be difficult to figure out where to start, but the best way to start is by taking inventory of your personal situation. Some experts suggest writing down everything you own, including both tangible and intangible assets. Tangible assets are physical items such as cars, furniture, homes and even jewelry. Intangible assets include items such as your bank accounts, retirement accounts, life insurance policies, investments and online accounts.

Keeping a running list of everything you own can prevent you from forgetting to include all your assets in your plan.

In addition to your assets, you'll want to list your liabilities. Liabilities are items you owe money on, such as a car, a home, credit card debt, loans and utility bills. If you die with debts, the amount will generally be paid using the money or property left in your estate. If you share any debts, your surviving spouse or co-signers may be responsible for paying them, depending on your state laws. A lawyer or legal adviser can help you with this.

2. Create a comprehensive will.

After listing all of your liabilities and assets, you can begin assembling your will. Think of your will as a comprehensive guide that provides specific instructions on your final wishes. This includes naming beneficiaries, appointing financial and medical powers of attorney and naming an executor of your estate.

These people essentially speak on your behalf, so make sure they're someone you trust to act in your best interest. If you have minor children, you'll also want to figure out who will take guardianship over them in the event you die unexpectedly.

3. Make a medical plan.

The next step is to make a medical plan. In this part of the plan, you'll need to name a medical power of attorney. This person is responsible for making treatment decisions on your behalf. From there, you'll want to consider long-term care options. Where will you live as you get older? Who will be taking care of you should you fall ill or become incapacitated? These are all important questions that you'll want to talk about with your loved ones.

Another, perhaps more grim, aspect of your medical plan includes end-of-life care. What will happen to your body once you're gone? Some people choose to donate their body to science, while others want to be buried or cremated. If you're an organ donor, be sure to include instructions on what you are and aren't willing to donate.

You can also take this time to review or obtain life insurance. These funds can help support your surviving family and pay for funeral costs, but be sure to name beneficiaries as you see fit. If you don't, it will be extremely difficult for that money to be given to the person you intend.

4. Provide specific instructions for personal property.

When it comes to your personal property, you need to be specific about how those items will be distributed. Who will get what? This particular area can cause a lot of tension between surviving family members.

If your instructions are vague, it can become an expensive hassle for your family that can drag out in court.

5. Decide who will oversee your finances.

In addition to a medical power of attorney, you'll also need to include a financial power of attorney. This person will be responsible for handling all decisions relating to your finances.

When making a plan for your finances, consider estate taxes, trusts and all investments. A financial adviser can help you determine what to include in this part of the plan based on your financial situation.

6. Set up a plan for your digital estate.

These days, most of us have some sort of digital presence. This includes everything from social media and email accounts to online banking, gaming and shopping.

Be sure to list all of your accounts and include login information for each. Include instructions for closing the accounts, or transferring them to a beneficiary if applicable.

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