

Greetings!

This is the second in our series on estate planning, and we will focus on what estate documents are.

Creating and updating your estate documents is a task that many people procrastinate about but accomplishes several very important objectives. Without established estate documents, financial and health decisions at the end of your life will be made for you, and these decisions may or may not align with your wishes. Having to make these decisions in the absence of your instruction will most certainly be stressful for your loved ones at an already-difficult time.

There are several key Estate planning documents, and each serves a unique purpose:

Last Will and Testament

The Last Will and Testament is a tool for passing assets that do not otherwise have named beneficiaries or are not titled in a Trust. Your Last Will and Testament can also name guardians for minor children. Assets governed by the Last Will and Testament typically go through probate before your heirs can inherit them and this involves time and effort on the part of your executor and can include court-required record keeping and periodic court filings. Probate can be avoided with careful estate planning.

Beneficiary Designations

Beneficiary designations on retirement accounts, investment accounts, bank accounts, insurance policies, and property titles are one of the most efficient ways to transfer assets to heirs. Primary and contingent beneficiaries can be named, and in most cases, updating designations can be made at any time. Direct beneficiary designations on these financial instruments will take precedence over the details outlined in your last will and testament.

Periodically, and particularly after any major life event (birth, death, marriage, or divorce) it is prudent to confirm that all beneficiaries are current. It is also a good idea to make a habit of regularly confirming your beneficiaries. When the Federal Government's Thrift Savings Plan (TSP) system went through a system conversion in 2022 the beneficiaries for some accounts did not migrate over from the old system to the new system. If you have a TSP account, please confirm your beneficiaries are noted on your account.

Revocable Living Trusts

Assets titled in a Revocable Trust avoid probate and pass according to the details outlined in the Trust without having to go to court saving your personal representative a lot of work and expense on your behalf. We will further discuss Trusts, and when they may be appropriate for you, in a future communication in this series.

Letter of intent

Writing a Letter of Intent may help family members understand why certain decisions were made. It may also be the appropriate location to document detailed wishes, such as who should receive personal items of sentimental value, or who should care for pets. This information can also be included in the will.

Powers of Attorney (POA)

A Power of Attorney gives a designated person the legal authorization to act on someone's behalf. Depending on your state, there may be three types of POAs: General, Financial and Health Power of Attorneys. These legal documents are often created with an estate attorney and require witnessed signatures.

A General Power of Attorney can be limited or broad. The "durable" in the title means the powers will continue after the principal is incapacitated and will continue until their death. A Power of Attorney can have "springing" powers, which means the powers go into effect only after the principal becomes incapacitated. If the powers are not specified as springing, then they are in effect immediately. A General Power of Attorney can also be created for a defined period of time or for a specific purpose, such as for a real estate closing.

Depending on your state and your attorney, your POA document may combine financial and health care powers, or you may have separate Powers of Attorney for financial and for health care matters.

In our next communication in this series, we will discuss why you need estate documents, why updating is important, and we will talk about how ClearLogic Financial can help you in this process.

Enjoy the rest of your summer!

Best Regards,

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