

Must-Have Documents for a Peaceful Future

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Help loved ones avoid stress, arguments and expenses with this list.

When it comes to your family, you likely operate with the credo that there is nothing you wouldn't do for them. Right?

But, the truth is, you likely need to qualify that sentiment "...with the exclusion of making sure they will have the easiest time possible when I die." Survey after survey reports a minority of households have created the documents to help loved ones deal with financial accounts and other assets, give helpful hints on what sort of funeral you want, and provide guidance on how you want later-life medical care to play out if you can no longer advocate for yourself.

It's a disconnect with a deep emotional component. Confronting death is not easy. Understood. But neither is the anxiety felt by loved ones left in the lurch.

Here's how to help ease their transition:

Write down a laundry list of your financial life.

Before we launch into the legal stuff, one of the biggest favors you will do loved ones is to have written down an inventory of every financial account you have and the basic account information. Bank accounts, investment accounts, credit card accounts, pension accounts. Insurance policies. Loan documents.

Right off the bat, this document lets survivors know what's what and where it's at, rather than keeping them guessing and searching. Write it down and then tell at least one person that the list exists, where it will be and how to access it.

Help them avoid probate.

When you die without documentation of how you want your assets handled, it typically means your family will need to head to court to get a judge to approve your plan. This takes time, and it may necessitate hiring a lawyer. Want to spare your heirs both hassles? A will won't cut it. In most states, wills must go through the probate process unless you have a small amount of assets.

A will is still an important document. It's where you lay out who inherits possessions — the jewelry, china, quilts that have been passed down, the beloved vintage car. For financial assets, you likely want more than a will.

To keep your family from having to deal with probate court, you have options. Bank accounts and non-retirement investment accounts can be set up with a "transfer on death" (TOD) provision that will transfer your account to your stated beneficiary/beneficiaries. Retirement accounts such as 401(k)s and IRAs require a beneficiary designation, so that money will pass to an heir(s) without probate. Some states allow real estate to be inherited through a TOD document.

If you have minor children, TOD is not the way to go. Minors can't directly inherit assets. A workaround is creating a living revocable trust.

If the mere mention of the word trust has you thinking, "Whoa, that's for the 1%, not me," slow down. A revocable trust has nothing to do with the balances on your investment accounts. It is an elegant way to seamlessly transfer — without probate — your assets to your heirs. If you have minors, you can make the trust the beneficiary of all your accounts, and then the guardian of your children (you set that up in a will) will carry out management of those assets as you have spelled out, for the benefit of your children. No court approval required.

You can hire an estate planning lawyer to set up a trust (and other key docs). There are also online services available to help guide you.

Check (and recheck) beneficiaries.

All retirement accounts require a beneficiary. So, too, does life insurance. The listed beneficiary overrides whatever you may have spelled out in a will or trust. Once a year check your beneficiary designations. Marriage, divorce, birth of children (and grandchildren) and death of a beneficiary can require making changes.

Tell your loved ones how you want to navigate a serious illness. Appoint someone your health care advocate.

A living will spells out how much intervention you want, or don't, if you become too ill to speak up for yourself. Do you want to be resuscitated? A feeding tube?

Too difficult to contemplate? Find a quiet time and place to think through how a living will may help your family. Without clear direction, family members will be left to guess what you want. That's a lot to put on their shoulders. And you may inadvertently leave the door open to family arguments. You can download a free living will/advance directive for your state at the website of the National Hospice and Palliative Care Organization.

You also should consider asking someone to serve as your health care proxy or health care agent. If there comes a time when you are unable to convey your wishes, your health care proxy will step in and advocate for you, based on what you have laid out in your living will. The formal legal document is called a durable power of attorney for health care, or medical power of attorney. It will be included in the basic estate planning documents a lawyer can assist you with; you can also create them using online programs.

Help them plan your funeral.

Not just what you want, but most important, what you don't want. At a time when family is grieving, having this direction can ease their burden. And if you really don't want the bells and whistles, say so! The average funeral costs more than \$8,000. Letting your family know you're good with keeping things simple can be a big financial relief.