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Estate Planning Basics: Do You Know Your ABC's

If you have ever dealt with a parent's or other loved one's financial or estate affairs, you most likely know how difficult it is to manage poorly planned finances, locate disorganized records and statements, and accommodate uninformed heirs. Here are some straightforward steps you can take to make the handling of your financial and personal affairs and the administration of your estate easier and potentially less expensive.

First, get organized. Create a master list of all your assets and liabilities. These would include all bank and financial accounts, your other personal property, real estate, royalties, partnership or other investment assets, insurance information, beneficiary designation forms, contents of safe deposit boxes, and mortgages, debts, and other financial liabilities. You can do this on a sheet of paper or on a spreadsheet on your computer (excellent home and business management software that includes a home inventory program is also available). Compile as many of your records as possible in one, safe place. Consider keeping documents that you cannot easily replace in a home safe or fire retardant lockbox, bank safe deposit box, or in your attorney's vault. Include in your master list the location of all your documents. Confide in a child, other relative, professional advisor, or other trusted individual where everything, including the list, is located.

Second, take the time to identify your goals and concerns, and what values you want to preserve and pass on to your loved ones. This discovery process is often overlooked, but is especially important in developing a sound financial and estate plan. Consider spending the time, either alone or with the guidance of an appropriately experienced advisor, to focus on your financial, educational, family/community, and intellectual wealth, how you want to put that wealth to use for the rest of your life, and how you want it put to use after you're gone. Spend time on what concerns and challenges you face and how you would like to resolve or reduce them. In short, focus on what you want and what you want to avoid, before jumping into having wills, trusts, and other documents prepared.

Next, consult with estate planning, tax, and financial professionals to focus on the tools and techniques of the estate planning process best suited to your goals and concerns. Such professionals would include an attorney who specializes in estate planning, generational wealth transfer, and, if applicable to you, business succession planning, an accountant who has knowledge of financial and tax issues that are relevant to estate planning and administration, an investment professional who is similarly trained or experienced, and an insurance professional also with a sound grasp of estate planning issues. Having an attorney who is experienced in

estate and trust administration is also important to ensure the smooth administration of your estate and any trusts you may create.

After you have selected your team of advisors, discuss your goals and concerns with them and put them to work developing a plan that works for you. Once you have consulted with your advisors and approved your plan, your attorney can get to work either revising your existing estate planning documents or drawing new ones, and your other advisors can begin to implement the parts of the plan for which they are responsible.

Every estate plan should include a will, durable power of attorney, and living will with health care proxy. With a will you direct who gets your “probate” property and in what manner they receive it (non probate property includes certain jointly owned assets and assets controlled by contract (life insurance, IRAs, and 401k accounts, for example)). With a durable power of attorney you appoint a person to manage your property and financial affairs while you are alive but unable to manage your affairs yourself; this document ceases to be effective upon your death. A health care proxy is the legal document by which you appoint an agent to make health care decisions for you if you are unable to do so; with a living will you express your wishes and instructions for how medical decisions should be made on your behalf.

Beyond this foundation and depending on your circumstances, goals, and concerns, your estate plan may include the use of joint bank accounts, a revocable living trust, a life insurance trust, charitable trusts or other irrevocable trusts, a family foundation or other philanthropy, private annuities, limited partnerships or limited liability companies, or other estate planning, generational wealth transfer, and business succession planning tools and techniques. Again, what’s appropriate for you and your family depends on what goals and concerns you identify in your discovery process.

Finally, unless there are strong and significant reasons for not doing so, once you have decided on your plan or put your plan in place, speak with your family members about your intentions and goals. Doing so will help your family members understand what is important to you, why you have taken the steps you have, and will go a long way toward avoiding a family fight after you are gone. It is important to get started now and to review your estate plan every three years (more often if changes in circumstances warrant). Remember, you can create or revise a successful estate plan only while you are alive, competent, and have the energy and enthusiasm to put your legacy in place.