

Don't Leave Your Heirs in the Dark

Have you thought about some of the challenges your loved ones may face if you are no longer here? Consider how this hypothetical story demonstrates the importance of proper planning.

Arthur and Susan

Arthur and Susan were happily married for forty-five years. Susan worked as a nurse and Arthur was the owner of a successful technology company. Arthur always took care of the finances and did everything electronically. He was concerned about security and created several passwords and firewalls to protect his business and their personal information.

Arthur died unexpectedly and while Susan was emotionally devastated, she had no idea where to start with their finances. Arthur had told her their wills were in a safe location but she didn't know the combination to their safe or how to access their safe deposit box. She also had no idea how to access any of their financial accounts or even the password to Arthur's computer or email to pay bills.

Imagine if Susan were your loved one. Would you want her to experience the added stress of being in the dark about financial matters?



Your loved ones might face some additional challenges *if you don't plan properly.*

Locating Your Financial Information

It can be a daunting task to weed through your paperwork. Do your loved ones know where to look for information regarding your assets? Are they aware of the value of your assets and how these assets are owned? And, what about your computer and online files? It is important for your loved ones to know how to access this information and where to find your will and other important legal documents.

Access to Funds for Expenses

Your loved ones will need access to funds to not only pay for final expenses, but regular bills as well. Many think that heirs will be able to access funds from their bank to pay expenses, however that is generally not the case. Your heirs may not have access to the accounts until someone is appointed by the probate court as the personal representative or executor of your estate, which could take months. This puts your heirs in the awkward position of having to pay some expenses out of their pockets and seeking reimbursement by your estate in the future.

Navigating the Probate Process

The probate process requires the completion of several forms and certain notifications in a timely manner. If you have not experienced probate it can appear complex. Generally, the individual named in your will as your personal representative or executor hires an attorney to assist with the process that can take up to one year to complete. The probate process can be avoided if assets are owned in a trust and the trustee has immediate access to the trust assets. This helps avoid the issue of heirs having to cover final expenses.

Organizing Digital Assets

Do not neglect digital assets. Will your loved ones be able to pay bills, access bank accounts and investments if they do not know the passwords to your accounts? Do you have family pictures stored on an online account, or a web site that is part of your business?

Think about listing all of your online accounts, what they mean to you, and where the passwords are so your loved ones can retrieve important data or access financial assets.

Understanding Your Distribution Plan

Have you told your loved ones about your estate plan and how your assets will be distributed? Informing your family members about your plan in general terms can help reduce future family discord, especially if some family members will receive more than others. You should also let your family know who you named as your personal representative, executor, trustee and guardian (if applicable). Make sure to introduce your financial professional, accountant, and attorney and let your family know who they are too.

Arthur thought he planned properly and that Susan and his loved ones would be taken care of after he was gone. But he didn't consider the added burden he caused by not sharing critical financial information before it was too late.

A well-constructed estate plan that includes considerations for your loved ones when you're no longer here can help ease the stress during a difficult time.

Time to Review and Prepare Your Estate Plan

DID YOU KNOW

that the number of American adults that have a will has dropped from
42% in 2017 to 32% in 2020¹ ?

Estate planning is an important part of personal financial management and involves maximizing the benefits of wealth.

The following are the key components of a comprehensive estate plan.

LAST WILL AND TESTAMENT

A will distributes your assets upon death, after payment of all expenses and taxes. The assets are generally distributed through a specific bequest or as part of your estate. A specific bequest may be to a particular individual or charity. For example, "the sum of \$5,000 to my niece Joanna." The remaining estate assets are then distributed, which could pass outright to the named beneficiaries, to the custodian of a minor child, or in trust.

Your will also nominates your personal representative, the trustee of any trust created under your will, and the guardian(s) of your minor children. If you die without a will, the laws of the state in which you live determine how your assets are distributed.

DURABLE FINANCIAL POWER OF ATTORNEY

A Durable Financial Power of Attorney allows an individual you appoint to make financial decisions on your behalf in the event of your incapacity. The primary purpose of this document is to prevent the appointment of a conservator by the court to manage your finances should you become incapacitated.

HEALTHCARE PROXY/ DECLARATION

A Health Care Proxy/Declaration allows an individual you appoint as your health care agent to be informed of your medical condition and make medical decisions on your behalf if you are unable to do so. All members of your family who are over age 18 should execute one of these documents, especially prior to leaving for college or moving out of the home.

LIVING WILL

A living will provides direction to your family, doctors, and others concerned with your care, regarding your desire to withhold certain medical procedures if there is no reasonable expectation of your recovery or regaining a meaningful quality of life. If you feel strongly about these issues, you should include a living will as part of your overall plan.

BENEFICIARY DESIGNATIONS

Many people do not realize that some assets such as life insurance, annuities, qualified plans and IRAs pass by contract to a beneficiary chosen (or not chosen) by the contract owner, and not through an estate plan (e.g., will or trust). Beneficiary designations (primary and contingent) should be coordinated with your estate plan to help ensure that your distribution objectives are met.

It is a good idea to review your estate plan every two years and whenever there have been any significant changes in your family relationships or to your assets. Contact me to review your plan today.

¹Source: <https://www.caring.com/caregivers/estate-planning/wills-survey>

Note: State and federal laws change frequently and the information above may not reflect recent changes in the laws. You should consult with your tax and legal advisors regarding your personal situation.

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