

# 8 Steps That Will Make Life Easier for Your Heirs

**By Deborah H. Levenson**



**Many people spend a great deal of time and effort planning their financial legacy. They work hard to develop and implement estate and philanthropic plans to minimize taxes and maximize the positive impact on their beneficiaries.**

However, they often skip some very basic steps that can lead to real administrative hassles for their heirs, hitting right at a time of great stress.

This article describes eight basic steps you can take at any age to try to make life easier for those you leave behind.

## **1: Keep Your Will Updated**

Make certain that you have an updated will.

A will is the legal document that defines how your estate is to be distributed upon your death. In the will you name an executor, who will be responsible for implementing the terms of your will. If you have children under the age of 18, the will is essential in naming a guardian.

Keep copies of the will in more than one place. Both your executor and your attorney should have a copy.

Do not store your original will in a safe deposit box, since your heirs may not be able to gain access immediately after your death unless specific arrangements have been made.

## **2: Create an Information Book**

Create a private notebook with all the information your

heirs may need.

This will be the one “go to” resource that helps your family and your estate attorney make and execute important decisions quickly and efficiently. Make certain that your executor knows where to find this notebook.

Here are the key items you may want to keep in your private notebook:

- *Net worth statement:* This is an overview of your assets and liabilities. Every single financial asset that you own, or owe, should be listed here, including life insurance policies. Take the time to create a detailed statement that identifies the financial institution, the account number and the contact name and phone number for every asset and liability on your list. You can also list Web sites and passwords for easier access. If you prefer to maintain privacy, you can exclude the account balances.
- *Contact list:* Would your family know everyone that you would want notified of your death? Make it easy for them by leaving behind a clear contact list, or else identify a specific address book (hard copy or on-line) you want them to use to identify all friends, family and neighbors who should be contacted. Also list the professionals who need to be contacted—your estate attorney, accountant, insurance agent, etc.
- *Last wishes:* Write down all your desires regarding your

final disposition. Explain what type of funeral you would like, what type of burial, who you would like to officiate, any religious requests, etc. Make it clear whether any funeral arrangements have been pre-arranged and whether you own a cemetery plot. As difficult as it may be to take these steps, making funeral and burial arrangements in advance will take a huge burden off your family. Indicate whether you want to donate your body or any organs.

- *Valuables list:* Go through your jewelry box and your home to create a list of possessions you value most highly. These items may not be the most valuable from a financial perspective but they might mean something special to you because of how, where or when they were acquired. Explain why these items are meaningful to you; describe their historical significance. Many people designate specific items to family members or friends in their will and you can note that as well. For all financially valuable jewelry or household items, it is helpful to have a written description and/or recent appraisals for insurance purposes as well.
- *Key documents reference:* Make a list of all original documents your heirs may need to locate. This includes all wills, durable powers of attorney, health care proxies, trust documents, real estate deeds, mortgages, insurance policies, birth certificates, auto titles, marriage certificates, divorce and prenuptial agreements, passports, military discharge forms, etc. You may choose to keep these documents within your private notebook or instead to identify a specific location where they are kept (i.e., in a safe deposit box, at your attorney's office, etc.)
- *Other important items:* Write down a clear description of where your primary data files are located—your

tax records, investment statements, etc. Prune your computer and paper files of outdated and unnecessary information at least once per year. Try to save your family the task of sorting through 40 or 50 years of tax returns and other financial statements.

[For a ready-made notebook, the May 2006 *AAII Journal* Financial Planning article by Paula Hogan called “Get Organized! How to Maintain Your Personal Financial Files” contains a structured list of all the information you should gather for your heirs. The on-line version of this article provides a link to an Excel spreadsheet called “Roadmap Worksheet” that can be downloaded and filled out on your computer or printed for hand-entry. Go to [AAII.com](http://AAII.com) and click on *AAII Journal*. Choose the May 2006 issue from the Past Journal Issues box, click the Go button, and then select Hogan’s “Get Organized!” article. The link to the Roadmap Worksheet will be on the right-hand side in the Related Articles box.]

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### **3: Update Your Beneficiaries**

Regularly update your beneficiary designations in all of your financial accounts.

Most people choose their beneficiaries when they first buy insurance, open an investment account or start a new job. But decades later, life may have changed (a divorce, new children, grandchildren, etc.) and sometimes the old choice is problematic. All assets such as insurance policies, retirement plans and individual retirement accounts (IRAs) require that a beneficiary be designated.

Updating your beneficiaries is easy to do by contacting each custodian. Some institutions, like Fidelity, allow you to update your beneficiaries online. Keep a complete record of your beneficiary designations so that your beneficiaries are aware of your intent and you will have a reminder of your current plans.

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### **4: Use Custodians**

Do not keep original stock or bond certificates in your home or in a safe-deposit box.

Instead have your investment advisor or financial custodian (Fidelity, Schwab, TD Ameritrade, etc.) hold them for safekeeping. This will keep assets from being overlooked when your estate is settled and will save time and effort for your beneficiaries.

If you hold certificates at the present time you should contact your custodian(s) and follow their instructions for sending certificates.

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### **5: Hold Adequate Liquid Assets**

Ensure sufficient liquid assets are available to settle your estate.

Depending on how your accounts are titled, it may be difficult for your executor to access your accounts quickly upon your death. Regular monthly bills will still need to be paid, so it is important to have a money market or checking account available to fund two to three months of ordinary expenses. Another option is to set up an investment account with a pay-on-death (POD) designation to your executor.

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### **6: Write an Ethical Will**

Write an ethical will or family letter.

This may be the single most valuable possession you leave to your children. Ethical wills can take many different forms—you can tell your personal or family history, share your values and learning, explain your estate planning decisions or express your feelings towards close family members. You might write it in your own hand, type it on the computer or record it on videotape.

Two Web sites that offer helpful advice on creating ethical wills are [www.ethicalwill.com](http://www.ethicalwill.com) and [www.personalhistorians.org](http://www.personalhistorians.org).

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### **7: Keep Your Home Saleable**

Try to keep your home in saleable

condition.

Avoid allowing extreme clutter to accumulate. If your children are grown, encourage them to remove their childhood possessions from your house once they have space available. Too often a sudden death results in cherished items tossed into dumpsters because there is no time to thoughtfully sort out a lifetime of possessions.

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### **8: Communicate**

Communicate with your family now!

It is often very difficult to broach

the subject of finances and death with older parents (or with children). One way to make this easier is to explain that you would like more information to help you in developing your own estate plan.

Remember that it is far easier to pursue these difficult discussions while everyone is in good health. It becomes much more difficult after someone is diagnosed as terminally ill.

At least once every five years try to hold a family meeting that includes everyone significantly involved in your estate. At a minimum, you should include your executor, trustees and primary heirs to make certain there are

no surprises later on.

If you are the parent and are uncomfortable sharing details, you can choose to describe your estate very generally while still giving family members a clear sense of how you want your affairs settled.

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### **Conclusion**

Regardless of your age, taking these eight steps will provide peace of mind and help you feel more prepared for whatever comes next.

So go ahead and make your heirs' lives easier. They will appreciate it long after you are gone. ▲

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