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SMART INSIGHTS FROM PROFESSIONAL ADVISERS

4 Strategies to Avoid an Estate-Planning Mishap

By C. GRANT CONNESS | Global Wealth Management

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Even after you're gone, you can still help provide for the people and causes you care about.

What do Abraham Lincoln, Bob Marley and Prince have in common? (Besides being respected and beloved, that is.)

They all died without a will.

Why would such celebrated men—all with complicated family and business relationships, not to mention plenty of experts around to advise them—delay or avoid putting their last wishes down on paper?

Their reasoning, no doubt, was the same as it is for most people: They were busy. They were caught up in day-to-day life. They didn't want to think about it or take the time to sit down and just do it.

People tend to overestimate both the time and effort that go into putting together a will. They also underestimate the problems that can result if they don't have a plan in place.

In my opinion, while you're likely to hear loads about income and investments, you may not hear about things like taxes, health care, asset protection and leaving a legacy for family, friends and charity. It just doesn't happen.

How can you help make sure your transfer of wealth goes smoothly when you die? Here are four basic strategies to discuss with a licensed attorney and your financial adviser to help you avoid an estate-planning mishap.

1. MAKE SURE YOU HAVE A SIMPLE WILL IN PLACE.

This is the first line of defense. A will dictates your wishes and how you want your assets distributed when you die. Most people think wills are expensive, but for not much money, you can have a licensed attorney design your will exactly as you want it.

2. CREATE A LIVING TRUST.

This legal document can protect your assets and avoid the probate process. (A will doesn't necessarily do that.) A lot of people think they don't need a living trust, but it can help ensure your assets are managed according to your wishes, even if you are no longer able to manage them yourself. It puts in place your health care surrogate and your power of attorney—the people who will be making decisions about your physical and financial life.

Famous or not, a trust can help you maintain your privacy—something you'll lose if your documents and family squabbles end up in probate court.

3. PROPERLY TITLE YOUR ACCOUNTS.

At the very least, make sure you have a trust in place or a "transfer on death" designation (which allows assets to pass directly to the beneficiaries named by the owner). Without one of these titles, an individual investment account is in danger of going to probate. Even with a joint account, when the second person dies, the money is at risk without a title. Similarly, people often don't properly name beneficiaries and contingent beneficiaries on IRAs and other tax-qualified accounts.

4. PUT LIFE INSURANCE INTO PLAY.

Life insurance policies are used to provide a death benefit for your loved ones and can add to the legacy you wish to pass down.

These policies can help cover final expenses, of course, such as funeral, burial and medical bills. An IRA owner facing a required minimum distribution (RMD) who doesn't need the income and wants to leave that money to beneficiaries may want to consider using those RMDs to purchase a life insurance policy.

If you're contemplating buying insurance, you probably are at a stage in life when you should be thinking about all four of these strategies. So set aside time now — for yourself and for your family—and meet with a qualified financial adviser who can work in concert with a licensed attorney. Once your plans are in place, review them every few years or so.

Don't wait.

Because when you're planning for the future, it's not just about your money; it's also about where you want that money to go after you're gone.

Kim Franke-Folstad contributed to this article.

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