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FEATURE ARTICLE

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The Roots of Estate Planning

Overview: Estate planning documents are often viewed as static documents that are written once and then safely stored. To provide the most value, estate planning documents should be updated as laws change and life events occur.

Four Areas of Estate Planning

Many people assume estate planning documents are strictly financial in nature. In reality, having such documents in place also expresses an individual's personal instructions regarding health care preferences, family care and cherished belongings. The following are all part of the estate planning process.

Power of Attorney

The power of attorney document provides the transfer of decision-making authority to a selected person in the event an individual is unable to make decisions related to his or her assets. This is significant for an individual who becomes incapacitated. The appointed person would administer financial obligations in accordance with the individual's clearly stated goals and objectives.

Health Care Directives

Health care directives include comprehensive care instructions and the selection of appointed decision makers. These directives represent the personal decisions of an individual regarding acceptable treatments, quality of life, and specific instructions for doctors, family and friends.

Guardian Designation

Estate planning documents can include language for naming guardians for minor children in the event of an untimely death of both parents. The decision to select a guardian is complex. The guardian and home environment selected should be appropriate for the minor child and also must be acceptable to both parents.

Memo Regarding Personal Effects

Assets that have significant sentimental value should be transferred in writing either as a specific bequest in a will, trust document or a memo regarding personal effects. Common examples include jewelry, furniture or artwork. By designating transfer, the author of the memo controls division of these assets and potentially prevents conflict among family members.

The Value of Updating Established Estate Planning Documents

Even properly prepared estate planning documents may fail to provide the desired outcome if they are not updated as changes occur. Consider the following situations:

Documents Are Outdated

Laws change and life events occur. Your documents should be updated according to these changes. Particular attention should also be given to those individuals or institutions chosen to fulfill specific roles, for example, guardians for minor children or a specific financial institution that has been designated as a corporate trustee.

Documents Are Not Aligned With Your Goals

Personal financial goals change over time. This natural process may cause a properly prepared document to no longer be aligned with current goals. Common examples are when specific charities have been designated or laddered ages were designated for distributions to beneficiary children.

Assets Are Not Correctly Titled

Many estate planning documents transfer assets through a revocable living trust to avoid the probate process after death. To avoid probate, assets need to be properly titled in the name of the revocable living trust rather than in the name of the individual.

Beneficiaries Are Not Correctly Designated

Primary and secondary beneficiary designations for qualified accounts, life insurance policies and annuities should be reviewed and updated with the execution of estate planning documents.

Conclusion

Estate planning documents provide value beyond the possible reduction in estate taxes. It is necessary to review and update your documents when changes occur to ensure your personal wishes and instructions will be followed. With these documents in place, your family has a clear path to follow, one intended to continue your legacy.

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