

How to Save Your Family 101

Written by Rob Copeland

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We've all heard about—or experienced—the ugly fights that can break out over property and money after a family member passes away.

These fights are often so bitter that they can tear surviving members apart. As you probably know, the best way to avoid these conflicts is for the owner of that property and money to create very clear estate plan explicitly spelling out his or her wishes. The problem is that people put off their estate planning year after year after year—until finally memory loss occurs and they lose the ability to clearly communicate their final wishes.

This memory loss and the inability to think and communicate clearly are symptoms of dementia, which results from diseases like Alzheimer's. Dementia steals your ability to think clearly and make good decisions. As an advisor, one of the best pieces of advice I can give my clients is this: Take care of your estate planning right now—while your mind is still sharp.

It's natural to assume that we'll be of sound mind throughout our entire lives. But statistics should serve as a warning. According to the Alzheimer's Association, one out of eight people at the age of 65 will get the disease, which is the most common form of dementia. At that point, it's increasingly difficult to put together an estate plan. And that's why you should not procrastinate. I feel so strongly about this subject that I refer creating an estate plan "How to Save Your Family 101."

Estate plans can also be extremely helpful in providing clear instructions relating to your medical care.

One of the basic estate documents is known as a power of attorney.

A power of attorney is simply a legal document that gives a person you designate the power to act in your place. Specifically you should have a "durable" powers of attorney documents. The durable power of attorney document stays in effect if you become unable to make decisions on your own. After you pass, the durable power of attorney is no longer valid, and your will or trust becomes your "voice."

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It's often a good idea to designate one person to be in charge of your medical-care decisions and another to be in charge of your finances, including managing your investments. One reason is that you may not want to overburden one person with both responsibilities. Another is that one family member or friend may be best suited to direct your medical care while another is best suited to handle financial decisions.

Your last will and testament is another critical document. A will allows you to specify how your assets will be distributed upon your death. If you die without a will, the state decides who gets what, regardless of your wishes or the needs of your family members.

Wills can also be combined with trusts, which can serve to minimize gift and estate taxes. Trusts can also put conditions on how your assets are distributed—for example, a grandchild might receive an inheritance after earning a college degree. And they can be designed so that assets are distributed over time rather than in a lump sum. This is important to many individuals who are concerned about "spoiling" their beneficiaries.

Remember that you can always update your estate plan over the years. The important thing is to get your current wishes into a legal document as soon as possible. If you procrastinate, you may be sewing the seeds of a future family conflict.