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JOURNAL REPORTS: RETIREMENT

Make Sure to Include Digital Assets in Your Estate Plans

Among other things, beneficiaries can be blocked from accessing accounts and credit-card points and frequent-flier miles may be lost



Those using an online password manager for their digital accounts should take care not to include the master password in the will or trust.

PHOTO: MIKEL JASO

By Cheryl Winokur Munk

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The internet opens a world of possibilities to store personal data, to manage assets, and to gather and create digital content.

But too often that data gets forgotten when it comes to estate planning—and that can cause problems for family members and heirs.

"We often forget the fact that we are usually the only ones that can access these accounts," says Tamara Telesko, director of wealth planning strategies at TIAA and a specialist in estate planning and income-tax issues.

The result is that when an online-account holder becomes incapacitated or dies, beneficiaries can be blocked from financial documents and accounts related to banking, brokerages or

cryptocurrency. Frequent-flier or credit-card points can go to waste. Many kinds of nonfinancial assets, such as photos, social-media accounts, family trees and blog posts may never be seen again.

Here's some advice for creating an estate plan for digital assets.

Re-examine your estate plan

For those who crafted an estate plan more than a few years ago, it is worth looking at it again. It is likely that digital assets aren't mentioned. State laws regarding digital assets also might have changed.

Most states have made it easier for court-appointed fiduciaries to gain access to a decedent's digital accounts, similar to how they would access tangible property. Even so, lawyers say it is advisable to include provisions in your estate plan that authorize your representatives to access your digital assets, including email and social media.

Create a list

People should keep a list of their digital accounts and online assets to make it easier for their heirs to administer the estate.

Providing a list and instructions for accessing accounts will help authorized people gain access as quickly as possible, which can help prevent theft, among other problems. Hackers and thieves comb public records for information that will help them access the deceased's accounts.

Chicago lawyer Jennifer Guimond-Quigley offers the cautionary tale of a client whose father died without granting online access to any of his personal or financial accounts. As a result, the daughter, his named executor, didn't have the ability to monitor his bank account until receiving legal authorization from the probate court, and someone made an unauthorized ATM withdrawal for $1,000 just after the father's death. In theory, the account could have been drained before the daughter gained access to it.

Another risk is that heirs might be unaware of accounts, says Michael Roberts, president of Arden Trust Co., in Wilmington, Del. This can lead not only to loss of assets, but to mounting debts from unpaid bills. If a bill—for instance, for property taxes or insurance—arrives only by email, and the executor doesn't have access to the email, the bill could be missed, causing late payments or, worse, default.

Any list of digital assets also should include things like cloud accounts with stored family photographs, videos or genealogy information, Dropbox accounts, email and social-media accounts.

Other possible digital assets with financial value include cryptocurrencies, domain names and copyrighted works that exist in digital form. With cryptocurrencies, account holders should detail the amount and where to find the private keys that will be required to carry out any transaction. Without the private keys, heirs won't be able to access the account.

Ms. Telesko of TIAA recommends account-holders split up such keys, which are usually a series of letters and numbers, among different trusted people and tell the executor that these three people have the number and what part of the private key each one has. Then the executor can put it together.

Keep the list safe

Lists of accounts should either be printed out and kept with the estate plan in a safe place, like a vault or safe-deposit box, or stored within a password manager online.

For those using an online password manager as a way to list their digital accounts, it's important to leave instructions for a trusted individual, such as an attorney, custodian, agent or executor, to gain access to the master password, taking care not to leave the actual password in the will or trust, says Christopher Paul, partner and chair of the Trust & Estates Department at McLane Middleton in Manchester, N.H. Armed with the account information and necessary documentation, the authorized representative can then contact each account provider and should be able to access each account, he says.

For instance, a person might leave the master password in an envelope with instructions to his or her attorney to provide it to the digital executor upon death, or leave it in a safe-deposit box, says Mr. Roberts of Arden Trust. "You want it secure, but you also want it to be accessible," he says.

A word of caution about using the deceased person's passwords. Having a master password and accessing the list of accounts as a starting point for going through official channels is different from using a person's passwords to log into each individual account. There's a concern that logging into someone else's account using his or her password, without appropriate authority, could violate the provider's user agreement or state or federal law, and could subject that person to liability.

Although gaining access to the deceased person's accounts is certainly easier if you know their passwords, lawyers recommend erring on the side of caution and going through the proper channels to inform each online provider of the person's death and take the necessary next steps.

For example, some social-media providers in particular may take a hard line if people try to use the password for a deceased person's account; such access may be in violation of the provider's

terms and conditions.

The provider might immediately close the account, leaving the family no way to preserve the information, says Karin Prangley, senior vice president and wealth planner in the private-banking division at Brown Brothers. Ms. Prangley is a former practicing trusts-and-estates attorney.

Choose the right settings

On some online platforms users can appoint someone to receive a password and control the account upon the user's disability or death. It is a good idea to ensure the designated representative doesn't conflict with the executor or other responsible person named in the estate plan. Otherwise conflicts can arise between your representatives after your death, adding unintended administrative complications.

Each site has its own policy, so it is important to check with each provider.

Google, for example, has something called "inactive account manager," which allows users to determine who can control the account and what access this authorized representative has once the owner passes away.

Facebook, for its part, has "memorialization settings," to allow users to decide what happens to their account after they pass away.

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While digital estate planning can be somewhat time consuming, lawyers say it is a necessary process.

Says Mr. Paul of McLane Middleton, "The consequences of failing to plan, at best, leaves your heirs or assigns a mess to address at your death, and at worst, causes serious financial harm to your estate."

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What measures have you taken to make sure your digital assets are part of your estate plan? Join the conversation below.

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