Estate Planning Awareness

Since 2008, the third week of October each year has been designated National Estate Planning Awareness Week. This event, held October 15–19 this year, promotes estate planning and reinforces its importance to individual and family financial wellbeing.

According to a 2017 Caring.com survey, only 42 percent of U.S. adults currently have estate-planning documents, such as a will or living trust.* For those with children under the age of 18, just 36 percent have a plan. Whether or not an individual has a will varies significantly by age, with younger generations being the least prepared in the event of a premature death.

Percentage of adults without a will:	
Baby Boomers (ages 53-71)	40%
Generation X (ages 37-52)	64%
Millennials (ages 18-36)	78%

So what is estate planning and why is it so important?

Estate planning is the process of outlining how someone wants his or her assets to be managed and transferred after death. In an estate plan, an individual can:

• designate who should receive which assets and when.
• choose who will make financial and medical decisions if he or she is unable.
• decide who should care for children.
• include provisions to help minimize estate taxes and other settlement expenses.
• provide guidance to one's family about wishes for his or her funeral, burial, or end of life care.

For a business owner, estate planning also includes succession planning — who will take over a business in the event of death or disability. The owner can decide if the successor will buy the business or inherit it. Families can reduce conflict by creating a plan that equalizes shares of an estate between family members who are involved in the business and those who are not. A complete estate plan may include a wide range of documents, such as a will, trust, financial power of attorney, medical power of attorney, and living will, and for business owners, a funded buy-sell agreement.

Why do so many people not have an estate plan in place? Individuals cite a variety of reasons for not having one, from cost, to not knowing where to go to create a plan, to just not getting around to it. Without a will or trust, the state will determine who will receive an individual's assets after death. It may be a spouse and/or children, but how much will go to each of them varies from state to state, especially if the children are from a prior relationship. Children will receive their share when they reach the age of majority (18 or 21, depending on the state), regardless of whether or not they are prepared to handle it. A court will help decide who is best suited to raise children (it might not be the person an individual would have chosen). Assets will not be protected from heirs' creditors, future spouses, or behavioral issues (for example, alcohol or drug abuse, gambling, or lack of motivation). The absence of planning could be even more disastrous for a business. Statistics show that less than one-third of family businesses survive from the first to the second generation and even fewer (15 percent) survive another transition. Without an identified buyer and negotiated terms for a sale in a signed (and funded) buy-sell agreement, a family could end up selling the business for pennies on the dollar or liquidating the business and selling the pieces for a fraction of their value.

Don't jeopardize your family's financial future or create unnecessary difficulties by not having an estate plan. If you already have a plan in place, make sure it is up to date and continues to reflect your wishes. Not sure where to start? Talk to your Federated marketing representative to be connected with an independent attorney who specializes in estate and business succession planning.

Source: DiUlio, Nick. (2018*) More Than Half of American Adults Don't Have a Will, 2017 Survey Shows.* Retrieved from https://www.caring.com/articles/wills-survey-2017

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