



# THE FUNDAMENTALS OF *Estate Planning*

It can be uncomfortable to think about the end of life, yet estate planning is critical to ensuring your wishes are met after you pass.



Estate planning can be an emotional process. After all, it's difficult to think about things like who will raise your children, or which loved one will best manage your financial assets. Estate planning is necessary, however, because without a will, your estate may end up in court. This means it could be divided up based on a judge's ruling, rather than on your personal wishes.

Additionally, without specific terms set in place, you may not get the medical care you would prefer. For these reasons and others, it is better to face the discomfort of considering your own mortality so that you can ensure everything is up to date and in order. After your estate has been thoroughly checked, you can have confidence that, in the event of an unforeseen circumstance, you and your loved ones are covered.

## So, you've decided to get your *Estate Plan* in order, but where should you begin?

Here are the basic documents to pursue first.

### **A WILL**

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Your will designates who will inherit or control your assets when you die. It's especially important if you have dependent children, as it lets you name a guardian and outline care preferences. You can also appoint fiduciaries, a trustee to manage any trusts, and an executor to carry out your wishes for assets like property, art, investments, or charitable gifts. Writing a will offers a chance to review your assets and consider whether making charitable gifts now could benefit your estate. If you own a business, include a succession plan. You can also outline plans for leaving money to heirs.

### **POWER OF ATTORNEY**

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If a situation should arise in which you become incapacitated and unable to make financial or health care decisions for yourself, you need to designate someone to act on your behalf. Many people choose their spouse, but others choose to designate an adult child or other close family member. Remember that this person will hold tremendous power over you and your assets, so be sure to choose wisely – and then put your wishes in writing.

### **REVOCABLE TRUST**

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Some people choose to use a revocable trust in the event they become unable to manage their affairs. This still requires designating a durable power of attorney, as the successor trustee or co-trustee would only have the authority to manage the money in the trust. An individual with durable power of attorney designation would have access to assets outside the trust. Your appointed trustee can act on your behalf and manage the trust. The benefit of this setup is that creating and funding the trust avoids probate, which is the lengthy process by which your executors submit your will to a court to transfer assets to your beneficiaries. See the included case study for more information.



# Establishing a Revocable Trust for Effective *Estate Planning*

## CASE STUDY

### BACKGROUND

John and Margaret had accumulated substantial assets over the years, including a family home, investment properties, retirement accounts, and valuable investments. They recognized the importance of organizing their estate and wanted to avoid the complexities and potential probate challenges that could arise upon their passing.

### FINANCIAL SITUATION

John and Margaret were financially secure, with significant assets and a desire to protect their wealth for future generations. They had a clear vision of their legacy and wanted to minimize estate taxes and streamline the transfer of their assets to their children and grandchildren.

### GOALS

The primary goal was to establish an estate plan that would protect their assets, maintain privacy, and create a seamless transfer of wealth to their beneficiaries. John and Margaret also aimed to reduce potential estate taxes and minimize the burden of probate on their loved ones.

### STRATEGY

After a detailed conversation, we suggested that John and Margaret establish a revocable living trust as a core element of their estate plan. They worked with an estate planning attorney to draft the necessary legal documents, and they funded the trust by transferring their assets into it.

### PROBATE AVOIDANCE

By creating a revocable trust, John and Margaret effectively bypassed the probate process. Their assets could transfer smoothly to their beneficiaries, saving time, costs, and potential disputes associated with probate proceedings.

### PRIVACY PROTECTION

Unlike a will, which becomes a matter of public record during probate, a revocable trust provided John and Margaret with privacy. Their personal and financial information remained confidential, shielding their estate and beneficiaries from unnecessary scrutiny.

### FLEXIBILITY AND CONTROL

As the creators of the trust, John and Margaret retained full control over their assets during their lifetime. They could amend, modify, or revoke the trust as needed, adapting it to changing circumstances or their evolving wishes.

### INCAPACITY PLANNING

The revocable trust included provisions for incapacity planning, creating a smooth transition of control if John or Margaret became unable to manage their affairs. The appointed successor trustee would step in to manage the trust assets without the need for court intervention.

### ESTATE TAX PLANNING

The revocable trust allowed John and Margaret to incorporate estate tax planning strategies. By utilizing certain provisions, they were able to potentially reduce their estate tax liability, preserving more of their wealth for their loved ones.

### RESULTS AND OUTCOMES

The case study of John and Margaret exemplifies the importance of a revocable trust in creating a comprehensive estate plan that protects assets, ensures a seamless transfer of wealth, and provides peace of mind for future generations.

## IRREVOCABLE LIFE INSURANCE TRUST

An irrevocable life insurance trust allows your insurance proceeds to be available to your spouse and children. It also gives you more control over your insurance policies and the money that is paid out from them. You cannot serve as the trustee of the trust, and you must relinquish any right to modify or dissolve it. The benefit of this asset is that it will not be included in you or your spouses' taxable estates. This can be helpful if your heirs will need access to money quickly to cover taxes or daily expenses immediately after your death.

## HEALTH CARE PROXY OR HEALTH CARE POWER OF ATTORNEY

A health care proxy is like a power of attorney, but instead of managing your finances, it manages your health care needs. A living will specifically expresses your wishes for life-saving or life-sustaining measures in the event you are in a coma or unresponsive state. Without a health care proxy in place, your doctor may provide you with medical treatments you may have preferred to refuse. It is especially important to have a proxy if there are disagreements within your family on how to proceed with care.

## THE BEST TIME TO START *Estate Planning* IS NOW

Estate planning is appropriate for adults of any age, as it provides you with peace of mind. It also allows you to ensure your wishes will be fulfilled when you are no longer able to voice them, and that your family will be provided for according to your preferences. It is wise to work with qualified professionals, like financial advisors or estate planning attorneys, to help you navigate through this process and ensure there are no loose ends and that everything is recorded properly in writing.

*This case study is for illustrative purposes only and does not constitute financial advice. Individual circumstances may vary, and it's recommended to consult with a qualified financial advisor for personalized guidance.*

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