



# FINANCIAL PREPAREDNESS

*"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen*

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If you did not receive a previous issue, [let me know](#) I will resend it to you.

## Estate Planning Documents

This week I'm going to discuss the documents you need to have in place in case you die or become unable to take care of yourself.

First, you need to understand how assets pass to a new owner when the original owner dies. Assets such as retirement plans and life insurance death benefits pass by beneficiary designation. A beneficiary designation is like a loaded gun: when the trigger is pulled at death, the result is immediate, powerful and irrevocable, so you want to ensure that all of your beneficiary designations are "pointed" in the right direction.

Retirement plans have both primary and contingent beneficiary designations. Contingent beneficiaries only kick in if all primary beneficiaries have already predeceased the retirement plan participant. You can name more than one of each type of beneficiary and leave each beneficiary a different percentage. If one of your beneficiaries predeceases you (and you don't update your beneficiary designation before you die), and you would want that beneficiary's lineal descendants to receive that beneficiary's share, you should indicate "*per stirpes*" after the name of that beneficiary. Otherwise, that (deceased) beneficiary's share will be divided among the remaining designated beneficiaries.

Generally, it's best to name your spouse (*per stirpes*) as the primary beneficiary of a retirement plan. You should never name your estate as a retirement plan beneficiary. It's OK to name a charity as a retirement plan beneficiary, but I wouldn't name a charity as a partial primary beneficiary when you also have individual primary beneficiaries. Make sure that your retirement plan custodian has recorded your beneficiary designations correctly and that they (and your executor) know how to reach your beneficiaries.

Second, assets that are jointly owned (joint tenants with right of survivorship in common law states, or community property in community property states) automatically pass to the surviving spouse by operation of law.

Any assets that don't pass by beneficiary designation or by operation of law become part of your probate estate, which passes according to your Will (if you have one) or the intestacy laws of your state (if you don't have a Will). If you have minor children, your Will should name a guardian for your children and (ideally) a different person as your children's financial guardian (AKA “guardian of the estate”). If you have estate tax exposure or think you could in the future (due to future growth of your estate—including between the death of the two spouses—and/or future changes in federal or state estate tax laws), then your Will should establish a credit shelter trust that would allow the first spouse to die to take advantage of his or her unified credit (an amount that can be passed free of estate tax). Your Will (and the powers of attorney below) should be drafted by a qualified estate planning attorney (i.e., a lawyer who specializes exclusively in that area). If you want to leave certain assets to certain people, ask your estate attorney about the best way to do that.

You also need to have a durable power of attorney for health care (in Georgia, this is known as an Advance Directive for Healthcare) and a durable general power of attorney. (Ask your attorney to verify that the latter does not create a general power of appointment, which could cause an estate tax problem.) This would give the person you designate the ability to make health care (first document) and financial (second document) decisions for you in the event of your incapacity. Before naming someone as your attorney-in-fact, you should ask that person whether he or she would be willing to assume that role, if necessary. A study found that for patients who had left no instructions for their medical treatment, the average in-patient charges for a final hospital stay were more than triple the charges for those who had left instructions.

Complete a funeral planning guide and keep it with your estate planning documents. I used to give my clients one called “Let the Choice Be Mine,” but I'm sure you could find a similar one online. When someone dies, there are over 50 decisions that must be made within about 24 hours. Completing this guide will allow you to make those decisions yourself and will spare your family from having to make them during a time of severe emotional distress.

Complete Parts 3-5 of the [Five Wishes form](#). If you become incapacitated, Parts 3-5 describe your wishes for how comfortable you want to be, how you want to be treated, and what you want your loved ones to know. Keep this form with your estate planning documents. Parts 1-2 are a substitute durable power of attorney for health care, which

you should **not** complete if you already have one, or if an attorney is going to draft one for you.

I created a document called “What You Need to Know” for my wife that contains extremely detailed information about the institutional knowledge and things she would need to know if I died or became incapacitated. Subjects include:

- everything about my business
- computer (passwords, address book, email, software, photos, videos, backups)
- finances (accounting system, checkbooks, bill paying, subscriptions and recurring payments, credit union, credit card, and investment accounts, loans, real estate, estate documents, life insurance, disability insurance, tax returns, Social Security, etc.)
- house (blueprints, carbon monoxide detectors, gutters and pipes, HOA, HVAC, insurance, electricity, fire extinguishers, fireplaces, mulch, owners manuals, propane, property taxes, refrigerator, roof, safe, septic tank, spigots and hoses, smoke alarms, termites, etc.)
- cars (insurance, maintenance, titles)
- other (prepping supplies, etc.)

Tell your family, executor, guardian and attorney-in-fact where to find all of your important documents. This includes your Will, power of attorney, advance directive for health care, Five Wishes form, funeral planning guide, life and disability insurance policies, trust documents, investment account statements, etc. You should review these periodically and update them if necessary.

## What You Should Be Doing Now

I plan to cover the why and how of these in future issues (if I haven't already), but here are some actions I recommend you take (or at least start thinking about) now:

1. If you are concerned about getting COVID-19, get some [Ivermectin](#), which is very effective, inexpensive and widely used outside the U.S.
2. Some neighbors of ours just had a water pipe leak inside their house all night long, causing about \$200,000 of damage and requiring them to vacate their house for three months. Make sure you have some water sensors in place that will alert you if you have a leak. These are an option with the Simplisafe home security system.

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I would love to hear from you! I thrive on feedback from readers. If you have any

comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please [email me](#).

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, [let me know](#) and I will provide an answer in a future issue.

Feel free to forward this to a friend. If you would like to subscribe (it's free!) or unsubscribe, [email me](#) with either “subscribe” or “unsubscribe” in the subject line.

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*Before starting a new diet or exercise regimen, you should consult with a doctor, nutritionist, dietician, or personal trainer.*

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