

HNH PRIVATE CLIENT GROUP

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For many people, creating an estate plan routinely gets pushed to the bottom of the task list. It is easy to want to avoid thinking about the difficult topics estate planning entails, but ultimately creating a legally binding plan to distribute your assets after death will provide peace of mind. A good estate plan provides more than a path for your heirs, and can help protect your assets from unwanted taxation and excessive probate costs. The HNH Private Client Group believes in the value of crafting an effective and comprehensive estate plan for you and your loved ones. Collaborating with your attorney so that this plan is correctly implemented and followed is an important responsibility we do not take lightly. We aspire to be partners in this process and provide guidance along the way.

Some clients prefer to take a do-it-yourself approach to planning, but this may not be the best option. Each state has its own set of laws and requirements that require specialized knowledge to navigate. You can find various templates online, but some of these documents may fall short of their claim to meet your state's requirements. Consulting with an estate planning attorney to ensure that documents are correctly prepared, will help to avoid costly and time-consuming missteps down the road.

With the help of legal and financial professionals, drafting your estate plan is likely easier than you think. Below are some ideas and tips you can consider to begin guiding your conversations.

Estate Planning 101

1 What do you want to accomplish? Who are your beneficiaries – young adults, older adults, relatives, or charities? There are different tools you can consider depending on who you wish to leave your assets to.

Choosing Between a Trust and Will

What is a trust? Trusts provide control over the distribution of assets, privacy, and potential tax advantages. A trust is a fiduciary arrangement that allows a trustee to hold assets on behalf of a beneficiary or beneficiaries. Trusts can be arranged in many ways, specifying exactly how and when the assets pass to the heirs.

For example, are you concerned that a young adult might fritter away his or her inheritance? A spendthrift trust might be the answer. Instead of an account that allows immediate access to the assets, the trustee of a spendthrift trust dispenses the assets over time. Additionally, a spendthrift trust typically protects assets from creditors, bankruptcy, divorce, and lawsuits.

Is there a need to minimize taxes? An irrevocable trust might fit into your plan. By placing assets into an irrevocable trust, the estate's value is reduced regarding estate taxes. Besides tax considerations, irrevocable trusts also help protect assets in lawsuits.

You may also decide to create a living trust, which transfers your assets to your beneficiaries and avoids probate.

Other trusts that you may find advantageous include charitable trusts, special needs trusts, generation-skipping trusts, and bypass trusts.

Alternatively, clients can choose to create a will. A will is a legal document that takes effect upon your death. It outlines your wishes, including provisions for guardianship of your minor children.

Unfortunately, we have heard too many heart breaking stories of clients who did not create a plan and paid the consequences. Don't wait until it's too late to secure the future of your loved ones. Take action today.

- 2 Have you taken stock of your possessions?** It is important to create an inventory of your assets, such as bank accounts, insurance policies, investment accounts, and personal belongings. We have resources to help you with this. Please ask for a copy of our "Personal Records Book". Your heirs will thank you.

Once you have your resources organized, don't avoid the difficult conversation. If you were to pass away suddenly, do your loved ones have access to important documents, financial statements, etc.? It is important to inform your loved ones about the location of your estate planning documents and the legal professionals who will handle the process. In other words, it's important to ensure that your heirs won't be forced to embark on an unexpected scavenger hunt in the event of your unexpected passing.

- 3 Choose the right executor or trustee.** Select a trustworthy individual or institution to act on your behalf. You need someone dependable, organized, fair, and understanding of their role as executor and/or trustee. Identifying the best candidate can be made easier if you focus on these important attributes.

- 4 Be sure to designate and regularly update your beneficiaries.** It's common to list a

beneficiary or beneficiaries for an IRA and life insurance policy. While reviewing your beneficiaries, also ensure that your designations align with your will. If the will you drafted last year names your new spouse as the recipient of your IRA at ABC Brokerage, but the beneficiary you listed on the account 15 years ago is your now ex-spouse from a previous marriage, the ex-spouse will be the recipient of the assets. Listed beneficiaries on an account will trump what you will have listed in a will. Make sure they read the same!

- 5 Prepare for medical decisions.** Estate planning isn't complete unless you prepare legal documents such as a durable power of attorney for financial matters and a medical power of attorney for medical decisions (also known as a Health Care Proxy). It is crucial in the event you are incapacitated. These documents appoint trusted individuals to make decisions on your behalf when you can't.

- 6 Review your estate plan regularly.** Life is full of unexpected turns. Milestone events such as marriage, divorce, births, and deaths can significantly impact your wishes and create gaps in your plan. In addition, charities that used to hold significance may not have the same impact anymore. Therefore, it is crucial to periodically review and make necessary adjustments to your plan.

Estate planning is a personalized process, and we want to emphasize that the above-mentioned steps are merely an outline. The importance of thoughtful estate and legacy planning cannot be understated. We hope that this article provides you a broad overview of the many aspects of planning that should be addressed in your conversations with us and other trusted legal advisors. We are here to provide you guidance through this process and refer you to the appropriate experts where applicable. If you see a need to review your current estate plan, or craft an estate plan to ensure your wishes are followed upon your passing, please reach out to us.