Great outcomes. Done well.

Where There's a Will, There's a Way: Clearing Up Common Estate Planning Misconceptions

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For many people, the hardest part of determining how assets will be distributed after death is sifting through estate planning terminology and documentation. This month's Wealth Management Insights can help you get started on your estate plan by reviewing a few basic concepts and clarifying some misconceptions.

Although the terminology can be confusing, a thoughtful estate plan is essential to providing for the people and causes you care about.

– Scott Grenier
Senior Estate Planner

What you should know:

1. There's a big difference between a *last will* and a *living will*.

- A *will*, often referred to as a *last will* and *testament*, is a legal declaration of how, when and to whom your assets should be distributed upon your death. Without a will, your state's law will determine how your estate is dispersed, which may run contrary to your own wishes.
- A *living will* is a legal declaration of your wishes to healthcare providers in the event you become terminally ill or incapacitated. Often living wills determine if doctors should use extraordinary measures to keep you alive and the level and duration of care.
- Both a will and a living will need to be affirmed by two disinterested witnesses, and each document may be revoked and replaced by newer versions as your feelings change.

2. Similarly, there are different types of power of attorney.

- A *power of attorney* allows you to authorize an attorney to make legal and financial decisions on your behalf in the event you become incapacitated.
- If a power of attorney is specified as *limited* or *temporary*, it stops being effective in the event

you become incapacitated. A *durable* power of attorney remains in effect until death.

- A *healthcare power of attorney* is a separate document that allows you to appoint someone you trust to make healthcare decisions on your behalf in the event of your incapacitation. This kind of power of attorney is necessarily considered durable.

3. A *trust* allows you to consolidate and distribute your assets without requiring a probate.

- Once an *irrevocable trust* is put into effect, the property inside the trust is no longer under your control – or part of your estate, which has the benefit of reducing your estate's value when establishing the amount owed for estate taxes.
- A *revocable trust* allows you to change your mind on assets, beneficiaries or even having a trust at all. Because this trust is impermanent by design, it typically is considered part of your estate when establishing value for estate taxes.
- A key advantage to a trust is that it avoids the time, expense and publicity of probate proceedings. A last will and testament requires probate, which means your estate's inheritance value and beneficiary names and addresses will all be public record.

What you should do now:

To ensure your estate is distributed the way you want it, it's important to have a thoughtful estate plan in place – one that has all the necessary documentation and considers who will serve as your agents, fiduciaries, alternate fiduciaries and beneficiaries. Your Baird Financial Advisor can evaluate your estate plan and make sure it is fully folded into your broader financial plans. ■