



The Rennie Quarterly Return

Rennie & Associates
Financial Planning
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New Year's Resolution

A very common New Year's resolution is to "get my affairs in order." However, unlike a diet or new exercise routine, the resolute will never see the benefits of follow-through, save perhaps for peace-of-mind. Getting your affairs in order really only benefits the next-of-kin and survivors tasked with final care decisions and the eventual unwinding of a full life and all financial accoutrements it entailed.

Having twice experienced the loss of a loved one in last two years, I thought I'd share some first-hand learnings to hopefully spur action and simplify your survivor's responsibilities.

Estate Plan

First and foremost, make sure your estate plan is up-to-date. An estate plan should include:

- Wills
- Living Trusts
- Healthcare Directives
- Durable Powers of Attorney

A good estate plan should cost between \$1,000 - \$5,000, depending on the complexity of your situation. This is money well-spent. The following assumes your estate plan is current.

Named Beneficiaries

IRAs, employer retirement plans, insurance policies and 529 accounts all require named beneficiaries or successor owners. Be sure your beneficiaries and contingent beneficiaries are current. Most can be checked or updated online.

The "File"

Assemble a File containing all important information your survivors will need to administer your affairs:

- Estate plan summary
- Account numbers
- Passwords (including email and social media)
- Insurance policy data
- Benefits statements
- Names and numbers of accountant, financial planner, attorney
- Utility contact information

If you want certain personal property to go to specific individuals, make a list.

Your File could be maintained safely at home, but you may prefer to keep the File in a safe deposit box. However, unless the safe deposit box is jointly owned with a survivor, access may be delayed until a death certificate is issued, typically 7-14 days after death. Be sure your survivor knows the location of the key. Even with the key, they may only be allowed to remove or copy estate planning documents until more formal legal documents are produced.

Immediate Liquidity

Chances are your survivors will need immediate liquidity to manage your affairs. Bills don't stop when you die. If your spouse survives you, they will likely have access to a joint bank account or other jointly-held assets. However, it's my experience that banks may place a temporary hold on a joint account when they find out one owner has died. My advice - don't tell them yet.

A surviving spouse should immediately open a checking account in their own name. Begin to transfer automatic payments (utilities, HOA dues, etc.) to the new individual account.

If your survivor(s) isn't your spouse, do they have enough personal liquidity to cover the period between death and insurance payouts or estate settlement? You should find out.

Funeral Planning

An excellent way to reduce the burden on survivors is to arrange and pay for your funeral or cremation services today. This avoids any confusion regarding your wishes and mitigates family disputes, which often surround this issue. Add the details to your File.

Account Statements

The survivor should be capable of downloading date-of-death (DOD) account values for all investment and bank accounts. If not, routinely print year-end statements and add them to the File. Vanguard and other custodians can prepare DOD valuation statements upon request.

Incapacity

If you worry about mental impairment that may render you unable to make prudent financial decisions, consider establishing a "trusted contact." Vanguard permits naming an individual they can contact if they become concerned. I would also be happy to add a trusted contact to your personal information.

Additional Tasks

Even with your affairs in order, your survivors will have much to do to settle your estate. My experience is that it will take a year or more to retitle accounts, get appraisals, split or distribute assets, adjust tax basis, file estate tax returns, close accounts, etc. Be sure to thank those responsible in advance!

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My Two



"The only difference between death and taxes is that death doesn't get worse every time Congress meets."

Will Rogers



Quarterly Trivia:

Roughly how many people pay estate tax upon death?

Of the 2.6 million who died in 2013, 4,700 owed estate tax, less than 1 in 50. New lifetime exclusion amounts will further reduce this figure.