

Four Estate Planning Steps to Consider

By Chris Erblich



Review and Update Existing Estate Planning Documents — It is essential to have core estate planning documents in place (living will and health care power of attorney, financial durable power of attorney, will and revocable trust). Estate planning is a journey rather than a one-time destination, meaning these documents should be reviewed every few years. Laws change, family situations change and attitudes toward wealth and charity change. Estate planning documents should change to keep pace.

Review Beneficiary Designations — A beneficiary designation — such as a “transfer on death” designation on a savings account, or a beneficiary named on a life insurance policy or retirement plan account — controls where these assets pass on death, **regardless of where an individual’s will or revocable trust directs assets to pass**. It is critical that beneficiary designations be properly coordinated with the overall estate plan.

Implement a Revocable Trust Rather Than a Will — Most people would identify a will as the document that controls where an individual’s assets pass on death. A revocable trust (also called a living trust) is a “will substitute” with several advantages. With a properly funded revocable trust, an individual may avoid the need to probate assets upon death (a slow, costly and public process) and may plan for periods of lifetime incapacity.

Pass Assets to Future Generations in Trust Rather Than Outright — An individual’s will or revocable trust commonly directs assets to be distributed outright to children or grandchildren at a certain age, such as 25 or 30. Outright distributions to beneficiaries can have significant drawbacks. Assets distributed outright to a beneficiary may be exposed to a beneficiary’s creditors, divorce claims and estate taxes. If assets are instead held for a beneficiary in a lifetime trust, it may be possible to avoid creditor and divorce claims and also to minimize estate taxes, all while maintaining flexibility for the beneficiary.

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