

MONEY TALK

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ESTATE PLANNING

Oh how we have an aversion to the task of Estate Planning! It can be time consuming, thought provoking and costly – three things that most of us would rather close our eyes to.

Look at the alternative – no estate plan with the appropriate legal documents — mainly a Will — means that you die “intestate.” If you die without a Will, the state decides who will inherit your assets. States use the right of succession rule when deciding who should receive your assets (first your spouse, then children, parents, siblings, and so on). It is generally never a good idea to leave your financial decisions to “the government.”

A good starting point is to **inventory all of your assets**. Attach a value and determine the current ownership or beneficiary of each asset. Don't forget to review all life insurance policies and the designated beneficiaries; review all retirement plans, non-retirement annuities and any other assets that may require a beneficiary. Review all real estate deeds for existing forms of titling

or ownership. All investment accounts, bank accounts and other types of accounts should also be reviewed. A determination should be made on the ownership form and if there is a Transfer on Death (TOD) attached to any of these assets.

Once you have completed your inventory list, you will have the full picture on one piece of paper, which will make it easier for you to make current and future changes. Further, with the help of your financial advisor or tax professional, you will be able to determine if estate tax planning is necessary.

After you have completed your inventory, **determine if any of your family members or other people that you wish to leave assets to have any “special needs”** (minors, people with health issues, folks that you might wish to leave a stream of income to but not an actual asset). Various documents might need to be prepared to allow for these or other special needs heirs. With this information in hand, your attorney will be better equipped.

Next, **decide who will be your heirs**. Except for perhaps some assets, such as retirement plans and your primary residence, think in terms of leaving your heirs a “percent of your estate,” rather than a dollar amount. This is important because the value of your estate will most likely fluctuate. Your advisor or estate attorney can assist you with tax implications that might impact your decision on which heir should receive which asset. Now, go back to your inventory list and note this information.

Now it's time for you to **decide who your executor and trustee will be**. And, should you become ill or disabled, **determine who will make health care and financial decisions for you**.

Finally, it's time to **meet with your financial advisor for some fine tuning, and then off to the estate attorney for advice and drafting of the documents**. Ask your attorney to advise you on all estate tax issues, documents that might be necessary for special needs heirs and all other essential legal documents.

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Weddings — Here Comes the Bill

Pop my bubble, why don't you! Marriage is about love and endless bliss — not financial planning. Oh yea, just wait until the bill comes! Not one bill, but many.

Let's start from the beginning. There are the **bachelor and bachelorette parties**, the **engagement party**, the **wedding**, the **reception**, the **honeymoon**, and then financial reality sets in.

It use to be traditional for the bride's family to pay for the entire cost of the wedding, but nowadays it's commonly a collaborative effort between both families and even the couple themselves. After all, weddings and all the pre-and-post expenses can cost more than a four-year college education. Where will the money come from? This is why early planning becomes essential.

It's a good idea to start planning for your children's college educations as soon as they are born. So why not start to save and invest for their weddings at the same time? Don't wait — if you do, you will have to play catch-up with more future dollars. Consider setting-up an investment account — keep the account in your name, but earmark it for your child's wedding. So what if a wedding never happens! That's just fine because those dollars can then be re-earmarked for a different financial goal — such as for your retirement or to pay for your long term health care insurance premiums.

Is there ever enough! The answer is probably no, so, when and if you hear the chimes of the wedding bells, be sure to discuss with your children exactly how much you are willing to contribute to the event(s). One piece of advice that might help with financial damage control is that once the wedding planning starts, turn those earmarked dollars over to your child with an understanding that no additional money will be forthcoming. From there on out, let them be totally in charge of the expenses.

Another suggestion is that when you turn the money over to your child, tell the couple that they are free to do whatever they wish with the money. Let them know that they are free to forego an expensive wedding for a more modest affair and any extra money is theirs to keep. Extra money could be used for a down payment on a house, funding a Roth IRA, buying furniture, or even buying a new car. What a nice way to start off a new marriage!



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About Dixie Butler — she is a Certified Financial Planner, a Certified Divorce Financial Analyst, and is an Enrolled Agent, entitling her to practice before the IRS. She has been in the investment and financial industry for over 25 years.

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