



FACT SHEET

Estate Planning— Goals, Net Worth and Final Instructions

Fact Sheet 414

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Estate planning is for anyone who owns real or personal property and who has the right to give, sell or loan the property to others in life and to pass it along at death. In Maryland, when you are 18 you have the legal right to pass along your property as you desire rather than let the state decide.

The focus of your estate plan changes throughout your life. In early and middle adult years your major interest will be building tangible assets for current and future security. As you move toward retirement, the protection of your assets to secure a comfortable retirement will be most important. At any age you should be aware of what will happen to your property when you die. This fact sheet will help you think about your goals, the value of your estate and your final instructions.

Planning Your Estate Goals

There are many professionals such as financial planners, attorneys, accountants, trust officers and insurance agents who can help you finalize your estate plans. You plan your estate to provide financial security for you and your dependents. Your specific goals may change with your age, marital status, income, the age and number of your dependents, or the amount and kind of property you own. Your real property is land and the structures attached to it. Your personal property is that which you can move, such as your car, clothes, furniture, livestock, equipment, books, bank accounts or bonds.

You already may have several goals for the use of your estate. If not, you may want to consider some of the following suggestions.

1. Provide for your dependents in case of your untimely death.

Your elderly or disabled relatives, children or spouse may depend on you for a living. You can provide for them while you are living, but what happens when you die?

2. Provide for you and your dependents until and during retirement.

You may be generous with your possessions whether you are single, widowed or married. You may enjoy a high income now but wonder about a time when your income is reduced. How will you and your dependents survive? Have you arranged your estate to give you and your dependents income as long as any of you live?

3. Provide living expenses for your dependents while they wait for the settlement of your estate.

Few people realize how much time and money are needed to settle an estate. Allow at least several months for settlement and provide enough money to meet the needs of your dependents during that time. The length of time could be even greater for many reasons, for instance, if you do not have a clear right to property, if you own real property in a state that is not your legal residence, if you have many creditors, if you have dependents who are minors, if you do not have a will, or if you have unforeseen claims against your estate. Have you assembled your important papers and kept your business affairs in order so settling your estate will be as uncomplicated as possible?

4. Share your wealth among your survivors according to your preferences.

You may want to make a *fair* rather than *equal* distribution of your estate. For instance, you may feel that giving your youngest child the same educational opportunities your older children had is fair. Thus, you may want to equally divide your property among your children only after your youngest child has finished school. If you do not specifically provide for the youngest child's education, the laws of descent and distribution will allow that child no more of your estate than your older children receive. Although the distribution will be equal, it may be unfair to the youngest child.

You may want to make special arrangements for the care of needy parents or a handicapped relative or you may be the owner of a large estate that will be subject to estate taxes and you may want to reduce the tax burden by leaving some property to a church, health service or college. No matter what your situation, it is your responsibility to divide your property according to your preferences rather than allowing the state to make these decisions.

5. Avoid disrepair of property because possible heirs do not know who will own it after you die.

If you hesitate to use your savings to keep your home, farm or other real property in topnotch shape because you do not know what you will need, before you die, consider the following. One of your possible heirs might maintain the property if assured of getting a fair return on expenditures. Have you recognized and provided for any special assistance from others?

6. Avoid waste of estate through taxes.

Most citizens do not want to pay any more taxes than necessary, but many people overlook certain tax advantages when planning their estates and therefore lessen the wealth they could give others.

Neither you nor your survivors pay Federal estate tax. Your estate pays this tax for transferring your former property to your survivors. An estate has certain allowable deductions before the tax is applied, such as marital; ordinary debts (such as utilities, charge accounts and installment credit); funeral and burial expenses; doctor, hospital and medical bills; Federal and state income, and property taxes; administrative expenses (such as lawyer, executor, filing fees and court costs); gifts to charity and others.

7. Avoid waste of your estate through legal costs.

Your dependents may have extra costs and hardships unless you plan the transfer of your property. For instance, the court must appoint an administrator if you fail to appoint a personal representative. The court will require bonding unless you specify "serve without bond". The court will appoint a guardian for children who are minors if you do not. That guardian must be bonded (unless you state otherwise) and must make periodic reports to the court.

Each transaction with the court adds costs that your estate must pay. Have you planned carefully to cut unnecessary costs and inconveniences to those who will handle your estate?

8. Provide dependents with an opportunity to develop skills in managing an estate.

Your dependents will not learn how to spend and invest unless given an opportunity to do so. You may create that opportunity through lifetime gifts to them. As they learn by doing, you can preview their abilities.

You may find certain dependents lack business sense. Some may spend to the point of poverty, while others may be too sparing. You can arrange your estate to best provide for a dependent when you understand the money management abilities of the person. Have you provided an opportunity for your dependents to handle an estate? Have you assessed their abilities?

9. Avoid confusion and conflict among survivors in dividing your estate.

You know better than anyone how you want your property divided. You may find it a good idea to tell your beneficiaries what you plan to do and why. They should be able to carry out your wishes more easily and more harmoniously if you make your wishes clearly known. Have you taken the necessary steps to clearly implement your wishes in distributing your estate?

These are the most common goals for estate plans. Some may fit your situation better than others. Select the ones that are most important to you and have them well in mind (or preferably on paper) when you talk to your financial ad-

visers about your estate planning needs. Once you have your goals clearly determined, inventory what you own and establish the potential value of your estate.

Determining What Your Estate Is Worth

The net worth of your estate is the dollar value of your assets at a given point in time after your debts are subtracted. If you compare your net worth periodically (yearly), you can see whether your economic situation is increasing, decreasing or staying the same. You increase the net worth of your estate when you add to what you own or pay your debts.

To figure your net worth, assess the cash value of your life insurance policies to determine lifetime value and note the face value of the policy, which will be paid at death. Such assessments make a sizeable difference in the value of what you may transfer at any given time. Assess your other property at its value on the open market. Do not value your property at what it will cost to replace it.

Settling Your Estate and Personal Affairs

The transference of property after your death depends on how it is owned. If you own property outright or jointly as a tenant-in-common with another, it will be distributed through your will or by the state of Maryland if you die without a will. Your will is important not only for the distribution of your property but also the designation of your personal representative who acts on your behalf and the appointment of a guardian for your children who are minors. Property also may be left in trust or distributed through the right of survivorship. For more information on these topics request *Writing Wills in Maryland*, Fact Sheet 382 and *Owning and Transferring Property*, Fact Sheet 410, from your local Cooperative Extension Service (CES) office.

A will is not the only set of instructions you should prepare. A letter of last instructions supplements your will. In it you can specify your wishes for your burial and funeral and identify your personal and real property. Indicate who is to receive particular items not mentioned in your will and leave a record of your financial life. Through this letter you provide guidance to your survivors from the time you die until your will is probated. This letter can become a great comfort and resource in the days immediately following your death because your survivors may be overcome with grief and not think clearly. Use the following set of categories to organize your letter. If you have a complete and up-to-date record of your important papers, you may be able to omit some categories and simply refer to your recordbook. If you are in need of a recordbook, request *Competent Financial Planning: Record Organization*, Bulletin 301 from your local CES office.

Net Worth Statement For Your Estate

Owned	If living on 12/31/19__	If death occurs 12/31/19__	Owed	If living on 12/31/19__	If death occurs 12/31/19__
	<i>dollars</i>	<i>dollars</i>		<i>dollars</i>	<i>dollars</i>
Cash			Bills		
On hand	_____	_____	(utilities, etc.)	_____	_____
Checking account(s)	_____	_____	Installment credit	_____	_____
Savings account(s)	_____	_____	Car	_____	_____
Money loaned			Furniture	_____	_____
to others	_____	_____	Equipment	_____	_____
Investments	_____	_____	Other	_____	_____
Savings bonds	_____	_____	Charge accounts	_____	_____
Stocks and bonds	_____	_____	Mortgage payment	_____	_____
Mutual funds	_____	_____	Loans	_____	_____
Life insurance			Taxes		
and annuities			Income, gift	_____	_____
Cash value	_____	XXXX	Estate, inheritance	XXXX	_____
Death benefit	XXXX	_____	Property	_____	_____
Retirement fund	_____	_____	Other deductions		
Real estate	_____	_____	Marital	XXXX	_____
Personal property	_____	_____	Charitable	XXXX	_____
Automobiles	_____	_____	Funeral	XXXX	_____
Other	_____	_____	Administrative costs	XXXX	_____
	_____	_____			
	_____	_____			
Total owned	\$ _____	\$ _____	Total owed	\$ _____	\$ _____
			Total owned	_____	_____
			Minus total owed	_____	_____
			Net worth	\$ _____	\$ _____

Contents of a Letter of Last Instructions

Important Names and Phone Numbers

- Employer
- Insurance agent
- Accountant
- Attorney
- Social Security office
- Religious leader
- Doctors

Funeral Preferences

- Funeral home
- Type of funeral
- Personal facts
(Include parents' names for preparation of obituary)
- Cemetery plot
 - Location
 - Deed number
 - Location of deed
 - Date of purchase

Relatives and Friends to Inform

Location of Personal Papers

- Will
- Birth certificate
- Religious certificates
- School diplomas
- Marriage certificate
- Military records
- Naturalization papers

Life Insurance Policies

- Name of company
- Location of policy

Other Insurance Policies

Financial Records

- Money expected to come to the estate from any source
- Checking and NOW accounts
 - Bank names and locations
 - Account numbers
 - Location of statements and cancelled checks
- Savings accounts and Certificates of Deposit
 - Bank names and locations
 - Account numbers
 - Location of passbooks
 - Special instructions
- Credit cards
 - Number and location
- Loans outstanding
 - Financial institution
 - Address
 - Name on loan
 - Monthly payment
 - Collateral
 - Location of papers
- Investments
 - Company
 - Name on certificate
 - Number of shares
 - Certificate number
 - Purchase price and date
 - Location of each investment certificate

Income tax records

- Location
- Name of tax preparer

Real and Personal Property

- Home
 - If owned, mortgage, if any
 - Amount
 - Due date
 - House taxes
 - Cost of house
 - Itemized improvements
 - If rented, lease location
- Other property
- Car
 - Year
 - Make and model
 - Identification number
 - Location of title
- Personal effects
 - Who should receive specific small items not mentioned in will

Special Wishes

- Things you want done that are not included in your will

Unusual Actions You Have Taken in Your Will

- Include a reason for these actions

Suggestions for Handling Certain Business Affairs

Your letter should be given to someone to open when you die or left in a place where it will be found immediately after your death. Review your letter occasionally to update the contents and make sure that your situation has not changed your plans.

In order to have a complete estate plan, the following steps are necessary.

1. Establish goals.
2. Calculate your net worth.
3. Update your will.
4. Make plans for property that will be passed through a trust or a form of joint ownership rather than your will.
5. Evaluate your estate tax situation and minimize your estate taxes if necessary.
6. Complete a letter of last instructions.

Once you have accomplished these steps, your estate plan should be complete. If your estate is substantial, an estate planning expert may be able to help you complete your plan. If your main assets are your house and car, you may be able to accomplish estate planning on your own. The decision is yours. Do it today.

Adapted from the "Richer Than You Think" series by the Northeast Management/Consumer Education Committee, Northeast Publications.

