Avoid these four estate planning deadly sins

Published on November 25, 2020

According to literature, the "seven deadly sins" are lust, gluttony, greed, laziness, wrath, envy and pride. Although individuals may be guilty of these from time to time, other types of "sins" can be fatal to an estate plan if you're not careful. Here are four transgressions to avoid.

Sin #1: You don't update beneficiary forms. Of course, your will spells out who gets what, where, when and how. But a will is often superseded by other documents like beneficiary forms for retirement plans, bank accounts, annuities and life insurance policies. Accordingly, like your will, you must also keep these forms up-to-date.

For example, despite your intentions, retirement plan assets could go to a sibling — or even an ex-spouse — instead of your children or grandchildren if you haven't updated your retirement plan beneficiary form in a long time. Review beneficiary forms for relevant accounts periodically and make the necessary adjustments.

Sin #2: You don't properly fund trusts. Frequently, an estate plan will include one or more trusts, including a revocable living trust. The main benefit of a living trust is that assets don't have to be probated and exposed to public inspection. It's generally recommended that such a trust be used only as a complement to a will, not as a replacement.

However, the trust must be funded with assets, meaning that legal ownership of the assets must be transferred to the trust. For example, if real estate is being transferred, the deed must be changed to reflect this. If you're transferring securities or bank accounts, you should follow the directions provided by the financial institutions. Otherwise, the assets may have to go through probate.

Sin #3: You don't properly title assets. Both inside and outside of trusts, the manner in which you own assets can make a big difference. For instance, if you own property as joint tenants with rights of survivorship, the assets will go directly to the other named person, such as your spouse, on your death.

Not only is titling assets critical, you should review these designations periodically, just as you should your beneficiary designations. In particular, major changes in your personal circumstances or the prevailing laws could dictate a change in the ownership method.

Sin #4: You don't coordinate different plan aspects. Typically, there are a number of moving parts to an estate plan, including a will, a power of attorney, trusts, retirement plan accounts and life insurance policies. Don't look at each one in a vacuum. Even though they have different objectives, consider them to be components that should be coordinated within the overall plan. For instance, arrange to take distributions from investments — including securities, qualified retirement plans, and traditional and Roth IRAs — in a way that preserves more wealth. Also, naming a revocable living trust as a retirement plan beneficiary could accelerate tax liability.

Please work with us to make sure your estate plan continues to meet your objectives.

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