8 THINGS NOT TO PUT IN YOUR WILL

What Belongs Somewhere Else — and Why the Person Managing Your Money Should Know the Difference

A Special Listener White Paper from McLean Advisory Group

Listener Line: 609-488-4646

No cost. No obligation.

The big idea: Having a will is important. But a will does not necessarily control every asset, every beneficiary designation, or every decision your family may face.

Does my will actually control this particular asset or decision?

Your Will May Be Perfect — and Your Overall Plan Can Still Go Wrong

Most people believe estate planning works something like this:

> "I went to an attorney."
>
> "I signed my will."
>
> "It says where I want everything to go."
>
> "So I'm done."

Unfortunately, it may not be that simple.

A will is an extremely important estate-planning document. But many assets and decisions are governed by other documents, ownership arrangements, contracts, beneficiary forms, or state law.

Your IRA may have its own beneficiary designation.

Your 401(k) may have its own beneficiary form.

Your life insurance and annuity contracts may name beneficiaries directly.

Your trust controls assets according to its terms and how the assets are owned.

An LLC may own property that you personally do not own.

Your health-care wishes may need to be expressed through an advance directive while you are still alive.

And some instructions may be needed immediately — long before anyone sits down to review your will.

Here is the second question every family should ask:

Has the person managing my money ever helped me determine whether my investments, beneficiaries, insurance, taxes, account ownership and estate documents are all telling the same story?

Your attorney does not manage your IRA.

Your financial advisor generally does not draft your will.

Your accountant does not usually maintain your beneficiary forms.

Each professional may be doing his or her individual job correctly while nobody is checking whether the pieces work together.

We call that the **Three Blind Mice problem**:

- The lawyer sees the legal documents.
- The accountant sees the tax return.
- The financial advisor sees the money.

But who sees the whole family?

1. Funeral, Burial or Cremation Instructions

The problem: Your family may find the instructions after they have already made the decision.

Imagine Dad dies on Monday.

By Tuesday, the family is meeting with the funeral director.

By Thursday, there is a viewing.

On Friday, Dad is buried.

Several weeks later, someone finally sits down with the attorney and carefully reviews Dad's will.

And there it is:

> *"I wish to be cremated."*

That information arrived too late.

The point is not that funeral wishes can never be mentioned in estate documents. The point is that your family should **not rely on the will as the only accessible source of time-sensitive instructions.**

Questions to ask

- Where are your funeral or disposition wishes documented?
- Who knows where those instructions are?

- Have you prepaid a funeral home, cemetery or other service?
- Does the person responsible for arrangements know?
- Can your family access the information immediately?

> **Ask your financial advisor:**
> "If something happened to me tonight, what money could my spouse or family access immediately?"

If that question has never been discussed, ask why.

2. Organ and Tissue Donation Wishes

The problem: Timing matters.

Organ- and tissue-donation decisions are not something your family should discover days later while reviewing a will.

The larger planning lesson is simple:

Information needed immediately should be located where the people who need it can immediately find it.

Tell the appropriate family members.

Tell the person who may be responsible for health-care decisions.

Follow the procedures in your state.

Do not turn an emergency into a scavenger hunt.

Documents are useful only when the right people can find and use them.

3. Your IRA, 401(k) and Other Retirement-Account Beneficiaries

Suppose your will says:

> *"I leave everything to my wife."*

But twenty-five years ago, before you were married, you opened an IRA and named someone else as beneficiary.

You forgot about it.

Your current spouse assumes the IRA belongs to her because your will says everything goes to her.

That assumption can be disastrously wrong.

Retirement accounts and employer plans operate under their own beneficiary procedures and plan rules. Beneficiary designations can also affect post-death distribution and tax consequences.

Beneficiary forms are not clerical paperwork.

They are part of your estate plan.

Who receives this money when I die?

A portfolio could perform wonderfully for twenty years, but if an outdated beneficiary designation sends the account somewhere you never intended, investment performance is not the whole story.

Your beneficiary review should include

- Primary and contingent beneficiaries
- Percentages
- Marriage, divorce, deaths and births
- Blended families
- Minor children
- Beneficiaries with special needs
- Trusts named as beneficiaries
- Accounts moved from one institution to another
- Whether the beneficiary designations still coordinate with the current estate plan

Ask your advisor:
"Please show me the actual beneficiary designation currently on file for every retirement account you manage for me."

"Have you compared these beneficiaries with what my current estate documents are trying to accomplish?"

Are you managing my investments — or helping me manage my family's wealth?

There is a difference.

4. Life-Support and End-of-Life Medical Instructions

A last will generally addresses matters after death. These decisions may need to be made while you are alive.

People sometimes confuse a **last will and testament** with a **living will**. They are not the same thing.

Advance directives can communicate health-care wishes and can name a health-care representative to act when someone cannot make or communicate decisions personally.

What does this have to do with financial planning?

Incapacity can affect:

- Household cash flow and bill paying
- Investment decisions
- Required distributions
- Tax payments
- Insurance premiums
- Long-term care
- Business ownership
- Property management
- Access to accounts

> **Ask:**
> "If I became incapacitated tomorrow, who could legally act for me financially?"
> "Does that person know where everything is?"
> "Will my financial institutions recognize the documents we have?"
> "Has anyone considered what happens to our financial plan if I am alive but cannot manage it?"

Estate planning is not only about death.

Sometimes the larger financial risk is **incapacity before death**.

5. Property You Intended Your Trust to Control — But Never Properly Coordinated With the Trust

Creating a trust and funding a trust are not necessarily the same thing.

Imagine buying an expensive safe, bolting it to the floor, installing the best lock available, and then leaving the valuables on the kitchen table.

You have a wonderful safe.

The problem is that the valuables never made it inside.

A similar issue can arise with trusts.

Depending on the trust and strategy, certain assets may need to be properly titled, assigned, transferred, or coordinated through beneficiary designations or other planning techniques.

This is an area where your estate attorney should tell you precisely what needs to happen.

But the financial advisor has an important role too.

Ask your advisor:
"Have you reviewed my trust?"
"Which accounts are owned individually, jointly or by a trust?"
"Which transfer by beneficiary designation?"
"Do the account titles and beneficiary forms support what my estate attorney designed?"

If the response is, "We do not get involved in any of that. We just manage the money," at least you have learned what service you are receiving.

The question then becomes whether that is enough for you.

6. Individual Properties That Are Actually Owned by an LLC or Other Entity

Suppose Dad has three rental properties:

- Oak Street
- Main Street
- A Jersey Shore property

But all three are legally owned by:

Smith Family Properties, LLC

Dad's will attempts to say:

> "Oak Street goes to Susan."
>
> "Main Street goes to Tommy."
>
> "The Shore property goes to Michael."

There may be a fundamental question first:

Does Dad individually own those properties, or does the LLC own them?

Dad may own a membership interest in an LLC that owns the real estate.

That distinction can matter.

Think of an LLC as a box.

The real estate sits inside the box.

Dad owns an interest in the box.

Operating agreements, ownership percentages, transfer restrictions, debt, taxes, depreciation, mortgages and other issues may all matter.

Ask your advisor:
"Do you know how my major properties are titled?"
"Do you know which assets are owned personally and which are owned through an entity?"
"Does my retirement plan depend on income or eventual sale proceeds from these properties?"
"Has anyone looked at what happens financially if I die or become incapacitated?"

An advisor does not need to be your lawyer to recognize that these questions matter.

7. The Family Revenge Letter

Do not turn your will into a final opportunity to settle every family argument.

Picture this:

> "I leave $50,000 to my granddaughter Sarah because Sarah called me every Sunday, unlike my grandson Joey, who apparently forgot that telephones can make outgoing calls in 2019."

That may feel satisfying when it is written.

But is that really what you want read after you are gone?

A long explanation of who disappointed you, who did not visit enough, who married the wrong person and who still has your ladder may create more conflict than it prevents.

If you are treating beneficiaries differently, excluding someone who might expect to inherit, or making an unusual distribution, discuss the strategy carefully with an experienced estate-planning attorney.

The financial-advisor connection

Suppose one child receives a $500,000 house and another receives a $500,000 IRA.

Those assets may not have the same after-tax economic value.

Ten years later, the house may be worth $900,000 while the IRA has been reduced to $250,000 because Mom needed retirement income.

The words in the estate documents did not change.

But the result did.

Ask:
"Based on today's values and today's beneficiary designations, where would the dollars actually land if something happened to us?"

That is a very different question from:

> "How did my portfolio do last quarter?"

8. Who Gets Your Life Insurance or Annuity

Suppose Grandpa's will says:

> *"I leave the proceeds of my $500,000 life-insurance policy to my grandson Michael."*

Sounds clear.

Except twenty-five years earlier, Grandpa named someone else as beneficiary and never changed it.

A life-insurance or annuity contract generally has its own beneficiary provisions, which must be reviewed together with applicable law and the contract itself.

Again, this is not just paperwork.

It can involve hundreds of thousands — or millions — of dollars.

Beneficiary reviews should consider

- Primary and contingent beneficiaries
- Former spouses
- Deceased beneficiaries
- Minor children
- Trusts
- People with special needs
- Percentage allocations
- Tax considerations
- Changes in family circumstances

Ask your advisor:
"When was the last time we verified the beneficiary directly with the insurance company or annuity carrier?"
"Did we review the contingent beneficiary too?"
"Does this coordinate with my trust?"
"If my spouse predeceases me, what happens?"
"What does the actual contract say?"

These are questions about **your money**.

The Bigger Problem: Ten Correct Documents Can Still Create One Incorrect Plan

You could have a professionally drafted will, trust, power of attorney, health-care directive, large IRA, 401(k), life insurance, annuity, LLC, house and several investment accounts.

Every individual item may look perfectly reasonable.

And the overall plan can still produce an unintended result if the pieces do not coordinate.

WHAT ELSE DOES THIS DECISION TOUCH — AND WHO ELSE NEEDS TO KNOW?

The purpose is not to make one professional do everyone else's job.

Let the attorney be the attorney.

Let the accountant be the accountant.

Let the financial advisor be the financial advisor.

But make sure somebody is coordinating the conversation.

The 8-Question Advisor Test

Take these questions to your financial advisor:

1. If something happened to me tonight, what money could my spouse or family access immediately?
2. Do the appropriate people know where my health-care and other time-sensitive instructions are located?
3. Can you show me the actual beneficiary currently on file for every IRA and retirement account you manage?
4. If I became incapacitated tomorrow, who can legally deal with my financial accounts and keep my plan functioning?
5. Have you reviewed my trust and compared it with the ownership and beneficiaries of the accounts you manage?
6. Do you know how my major real estate and business interests are legally owned?
7. If my estate plan operated today, have we calculated approximately how much each beneficiary would actually receive and considered the different tax characteristics of those assets?
8. Can you show me the current primary and contingent beneficiaries on my life-insurance and annuity contracts?

Pay attention to the answers.

Some financial professionals were hired primarily to manage investments.

That may be exactly what their service is designed to provide.

But you should know the difference between:

INVESTMENT MANAGEMENT

and

COORDINATED FINANCIAL PLANNING

Want a Second Set of Eyes?

If this white paper caused you to say:

> "I don't know."
>
> "Nobody has ever asked me that."
>
> "I think we're okay, but I'm not sure."
>
> "My advisor has never looked at any of these documents."

Then there is nothing wrong with getting a second opinion.

You do not need to fire anybody.

You do not need to move your money.

You do not need to make an investment.

You do not need to bring your checkbook.

Start with a conversation.

At McLean Advisory Group, we believe financial planning should consider how the different pieces of your financial life interact — investments, taxes, income, beneficiary designations, insurance, estate documents, ownership and the people you ultimately want the money to help.

Where appropriate, that means coordinating with your attorney and tax professional rather than pretending one professional can do every job.

If you would like a **second-opinion coordination review**, call:

609-488-4646

Tell our office:

"I heard Scott and Spike and I'd like the second-opinion review."

There is **no cost or obligation for the initial conversation.**

Bring your questions, current statements, beneficiary information, estate documents if appropriate, and recent tax return if appropriate.

And most importantly:

Hide your checkbook.

The first conversation should be about determining whether everything fits together — not selling you something.

One Final Question

If something happened to you tonight, would your spouse and children inherit a coordinated financial plan…

or a financial scavenger hunt?

Do not wait for your family to discover the answer.

McLean Advisory Group

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