

# Episode #210: 5 Key Estate Planning Tools Everyone Should Consider

## Video Transcription

Hello, and welcome to another episode of "Money Script Monday." My name is Adam Reyna, and I would like to thank you for attending. Today we're going to take about estate planning, and five key estate planning tools that you should consider as part of your estate plan and part of your succession plan. Just know that there are a lot more things that you could add to this list, so this would be a very good starting point if you have not already done this.

The reason I wanted to talk about this today is that my family went through recently the passing of my grandfather, and to be completely honest, he did not have any of this in place. It ended up being quite a mess and a little bit of tension between the family trying to figure out what to do, not only with his estate but with some of his burial wishes, and his final expenses. That whole unwinding of his estate was not done very smoothly because of the lack of planning. Very important stuff here, let's get into it.

We're going to talk about these five things that you should consider, and then we'll talk about the last one there: life insurance — the different types of life insurance, and one you might want to consider. The first tool that you want to have in your estate plan is a durable power of attorney. What that's going to do is it's going to give somebody the permission to act on your behalf in your financial matters.

Believe it or not, if you're incapacitated or sick, you still have to pay taxes. You still may have money invested with a money manager, and you still have expenses that you have to take care of. Having somebody that has the ability to sign on your behalf and make those financial decisions for you will keep your estate intact while you may not be able to make any decisions yourself because of medical issues.

Next, we're going to talk about an advanced medical directive. This is going to dictate to the doctors or medical professionals what sort of treatment you want, or you don't want. Some people out there, believe it or not, say, "If I get sick, honestly, I want you to just pull the plug," or, you know, "don't resuscitate me." Some people say, "Keep me alive as long as possible. I don't want to go." These doctors are going to keep you alive as long as possible if you don't have an advanced medical directive. This can be done using your living will; that's declining or excepting any sort of medical care.

You can assign what's called a health care proxy. That would be somebody that's assigned to make those decisions for you — typically, your spouse or your eldest child — somebody that's there that's going to be part of that process when you do get sick or ill, and they're able to make those decisions for you.

Finally, that can also be a DNR, which is “do not resuscitate.” If you ever go into full cardiac arrest, and you're right there at the end, you can decline CPR and have them not bring you back to life. Again, very difficult decisions to make while you're alive, but when you get to a point where you can't make those decisions, you still want those things done to your wishes.

Next, and one of the most important items, would be your will. What this is going to do is distribute your property to your heirs after death. This is going to be essentially a document filed with the court, and it does become public record as your estate is being settled. Usually, what you want to do is assign some sort of executor to settle your estate usually, a spouse or your eldest, most responsible child.

One thing you want to do in that will is name a guardian for your children. If you're a young family out there, and you haven't created a will, and something, heavens forbid, would happen to you and your spouse, you want to make sure your children are taken care of. Name a family member, a godparent, or somebody there that's going to be responsible to keep your children safe and keep them successful.

Finally, you want to have a letter of instruction. This is going to be something that's going to be more of an overlay to the will. It accompanies the will and gives directions inside that will. What you would typically put in there are burial wishes and/or some personal thoughts. A lot of times people include a goodbye letter.

But you also want to list where the locations of all your important documents are. Are they in the safe? What's the code to the safe? Maybe list your passwords in there for all your investment accounts or insurance accounts. Then when your family is settling your estate in a very, very difficult time for the family, there are no questions, and it goes as smoothly as possible — because, again, it's a very difficult time for families to do all these things while they're mourning. The more detail, the more direction we can have in those four things, the better.

Finally, we have life insurance. Life insurance, at the end of the day, is peace of mind for you and your family. If you've got young kids at home, and a mortgage and you're the main breadwinner, you want to make sure you have enough life insurance to not only pay off that home in the event you pass and make sure the kids go to college.

Typically, you want to have about five years of income replacement in that policy as well to, again, give peace of mind to your spouse and your family, and yourself in the event that the worst-case scenario ever happens.

Then the question is, what type of life insurance do you want? There's a lot of different kinds out there. Work with your insurance professional or your financial advisor to find the right one that fits for you because you can typically get just death benefit, which would be like your term insurance or some sort of permanent life insurance with no cash value.

But what we're going to talk about in the next section is a type of insurance that you can kill two birds with one stone. Let's talk about that now.

What we're going to talk about is index universal life insurance, and the reason why we're talking about that is the Bureau of Labor Statistics does a study every single year, and the results are just about the same every year. What they look at are consumer expenditures — that's your average American family; typically, a family that owns a home and has children.

Again, your average income earners, average net worth, average assets, and if you notice, the taxes every year are more than their food, clothing, health care, and entertainment combined. Again, taxes are your biggest expenditure every single year according to this Bureau of Labor Statistics study. What we want to do is kill two birds with one stone with that life insurance policy we mentioned. That's a great part of your estate plan.

Again, that life insurance is not only going to protect your family, and give you peace of mind, but we're also going to be able to generate some cash value within that policy. That cash value, if done correctly, can help mitigate taxes and lower the taxes that you're paying every year because what we're doing is we're actually building up some tax-free cash value that you can access tax-free. You can also use that cash value as a tax-free stream of income or for large capital purchases.

The goal of that life insurance is to not only fit into your estate plan but also have some living benefits to you which include access to a tax-free cash value. Work with your financial professional on some of the things that you should consider in your estate plan and figure out what type of life insurance is the best fit for not only your estate plan but also some benefits while you're still alive.

I appreciate your attendance today. I'm Adam Reyna. Thank you.