

Creating Your Financial Emergency Kit

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Thanks, in part, to the financial media, more Americans are becoming aware of the value of Estate planning. However, a will plus a trust do not make a complete estate plan. Deciding how your assets will be divided and how your taxes will be reduced is important, but a complete estate plan covers a variety of other situations and meets a number of other goals.

In the April 2004 issue of Bob Carlson's Retirement Watch he outlined the process for creating a Financial Emergency Kit. You might be surprised that the real purpose of having this Emergency Kit is not to help you, but to help your family and loved ones more easily carry out your wishes if something were to happen to you. For example, Tom Carvel used to own a chain of ice cream stores. In 1990 he sold it for roughly \$200 million and then died a few years later. It turned out that he had a complicated estate with several trusts and partnerships. He understood the structure, but since he didn't share that information and there weren't many records, a large portion of the estate was spent in legal fees trying to figure it out.

Organizing your records will not only benefit you but also your loved ones. Start with a three ring binder and some pager protectors. Page protectors are ideal because you can slide your documents into them without the damaging effects of punching holes in them. This is particularly useful when it comes to your insurance and annuity policies.

Next, compile the records you will be placing in your binder. Mr. Carlson suggests these records should include your latest tax returns, will, trusts, insurance policies, financial accounts, personal financial statements, loans, deeds, property titles and a list of advisors. Include all property that is held jointly. If you own a business, organizational documents including ownership, corporate officers, and other details should be included. Those things that are not in the notebook should be referenced along with instructions on where they are kept.

If this notebook is kept up-to-date and organized, it will be one of the best gifts someone can give their heirs. Dealing with the death of a loved one is difficult enough, taking these steps can reduce the cost and emotional burden of administering your estate.

A financial power of attorney (POA) can be very important, especially with the possibility of disability. If you become disabled, someone would have the legal authority to manage your finances during that time. If no plans have been made, loved ones will have to go to court to have someone appointed. At that point you will have no control over that choice. You can have a durable POA that takes effect right away and stays in effect when you become disabled, or a springing POA that takes effect only when you become disabled. The POA can be general or specific. Many shy away from a specific POA because it is difficult to anticipate all of the issues that may arise. However, the specific POA can give limited authority, restricting the duties only to financial transactions.

When was the last time you reviewed your beneficiary designations? A will doesn't cover everything. When it comes to IRAs, employer retirement plans, life insurance and annuities the

next owner will be the person you requested on the beneficiary designation form. Keep a copy of these forms and name contingent beneficiaries in addition to the primary beneficiary.

If you become incapacitated, health care documents are essential in order to give someone the power to make medical decisions for you. The most common health care document is the living will. According to Mr. Carlson it gives general instructions about which medical procedures are and are not to be used. However, he states that studies show that the document is of little effect. Often the doctors don't see it until after decisions have been made, and the instructions are too vague for many situations. Another option is a health care power of attorney. It gives an individual or group of individuals the right to make decisions when you are unable to. Make sure all of your doctors have a copy of the current document and have it displayed in your charts along with the phone numbers of the power holders so that doctors can reach them.

In this weeks column we have addressed putting together a Financial Emergency Kit. A good financial planner or estate attorney may be able to ask you some further questions about your unique circumstance that will dictate further steps to be taken, especially for owners of a business. There is a guarantee that comes along with our birth certificate and that is that one day this mortal body will stop functioning. Plan for the inevitable so as to leave your loved ones without the additional stress of dealing with tax attorneys, court appointments, and frustration and legal burdens.