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Estate Planning Is for Everyone, Not Just the Rich

by Advisor Voices (<https://www.nerdwallet.com/blog/author/advisorvoices/>) | posted in Advisor Voices (<https://www.nerdwallet.com/blog/category/advisorvoices/>)

Published on November 16, 2015



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You may think that planning how to divvy up your wealth is for very affluent families or for elderly people thinking about how to pass on handsome legacies to their heirs. That's certainly true, but they aren't the only ones who benefit from such planning.

Estate planning — determining what will happen to your assets and property when you die and planning for the tax implications of passing on your wealth — is important for everyone. Each family's situation and goals are unique, and smart estate-planning strategies (<https://www.nerdwallet.com/ask/topic/estate-planning>) can help ensure that those goals are met in the most tax-efficient, fair and sensible way.

Consider these four reasons why estate planning (<http://www.nerdwallet.com/blog/finance/advisorvoices/estate-planing-dont-set-forget/>) matters for you, even if you don't think you have much to pass on:

1. You don't want to leave a mess for your family. Effective estate planning isn't easy and can be expensive. But bad or no estate planning is harder, more time-consuming and potentially a lot more expensive for your loved ones to handle once you are gone.

Without a plan, your heirs will have to decide who gets what. Or your estate could go to probate, where the court will make those decisions and take fees in the process. Because estate laws are complex and differ by state, you should consult with an attorney. If you don't, your heirs may ultimately receive less of your estate.

In simple cases, a good estate plan may be inexpensive, including the cost of drafting a will, a living trust and some other basic documents that most families should have. More complex cases, involving trusts, easements and charitable donations, may cost thousands of dollars. In all cases, an estate plan is the best option for your heirs.

2. You have assets. Assets include bank or investment accounts — such as a 401(k) or rollover IRA (<http://www.nerdwallet.com/blog/investing/financial-education/401k-rollovers-roll-401k-no-fee-ira/>) — or property such as a house or business. You have to decide who gets all of these things before you die, which can be difficult emotionally. Imagine sitting in a lawyer's office and answering questions such as: "What if your children die? What do you want to do then?"

Once you decide who will get which assets, you also have to consider tax implications. An estate planner can help you arrange your assets to ease the tax burden your heirs will face.

3. Estate planning is a fluid process. A will that you put together 20 years ago probably won't meet your goals today. If you've had children, gotten married or divorced, or had other major life changes, you should think about whether your money and property will still go to the right people. Have you checked the beneficiaries on your accounts?

During my career in the Navy, I heard many stories (and personally witnessed a couple of instances) of sailors passing on everything they owned to an ex-spouse or some other unintended recipient. They accidentally left nothing to their intended beneficiaries because they failed to update their records.

Even if your life hasn't changed, state and federal laws sometimes do. What might have been wise estate planning a couple of years ago may not be the best strategy today.

4. The need for an estate plan isn't immediate — until it is. You have your entire life to get your estate plan right, but you don't know when your time is going to run out. Once you die, you don't get a vote about what happens to your assets, except for the last one that you cast with your estate plan. Make sure it counts.

Don't make the transfer of your hard-earned wealth more difficult than it needs to be. Working with a good financial planner can help you better understand your financial situation. Your planner can also help you work with an estate-planning attorney to put together a plan that works for you. It might cost a bit of money today, but it's far less costly than leaving your family with a mess to deal with once you're gone.

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