

# Top 10 Estate Planning Mistakes or Misconceptions

## **1. The purpose of estate planning is to avoid taxes.**

Estate planning is not simply about saving taxes. God calls us to be good stewards of everything He has entrusted to us. We are obligated to handle our finances in a way that honors God and His kingdom. A thoughtfully prepared estate plan will not only embody your final goals and wishes, but will also honor God in the allocation and transfer of the assets He gave you to manage.

## **2. Estate Plans are only for the wealthy.**

Estate planning is for everyone - it is simply the process of deciding *where* your assets should be distributed after your death. Most people underestimate the value of their estate. When assessing your net worth, don't forget to include the face value of insurance policies, retirement benefits, and the value of your home. If you do not prepare an estate plan, the state has one prepared for you and will determine the guardianship of minor children and the recipients of your assets.

## **3. If I have a Will, my assets will avoid probate.**

A Will does not provide a "probate avoidance" guarantee. The better solution for making certain your assets will not be subject to probate court intervention is to place them in a Living Trust. A "Living Trust" is simply a Trust you create while you're alive, rather than one that is created at your death under the terms of your Will.

## **4. I can put my completed estate plan in a safe deposit box and forget about it.**

Estate plans should be reviewed every 3 to 5 years to reflect any changes or significant events in your family - such as a death, birth, illness, housing relocation, or sale of a business.

## **5. After I sign my trust, my worries about probate are over.**

A Living Trust is only successful to the extent it has been funded. If you fail to change the ownership of the assets from your personal name to your Living Trust, the assets may still be subject to the probate process.

## **6. I should not tell my children about my estate plan.**

While most of us like to keep our financial matters private, sometimes sharing information with our children can assist in managing their expectations. Communicating your estate planning goals can also serve as a wonderful example of your views on stewardship. It is also wise to let those who may serve as Personal Representative (sometimes referred to as an Executor) or Trustee to know the location of the actual plan documents.

## **7. If I hold assets jointly with my spouse, I do not need an estate plan.**

The benefit of holding assets jointly with a spouse is that the asset will pass to the remaining spouse upon the death of the first. If both spouses die at the same time, or the remaining spouse fails to implement an estate plan after the death of the first spouse, the assets may not pass according to your wishes.

## **8. A Durable Power of Attorney ensures that someone can act on my behalf even after I die.**

Both a Durable Power of Attorney for Finances and a Durable Power of Attorney for Health Care are documents used to appoint an agent to act on your behalf while you are living. Once you have died, the documents are no longer effective. A Personal Representative (sometimes referred to as an Executor) or Trustee is the person in charge of your estate after you die.

## **9. Instead of preparing a Will or Trust, I can simply name my children as beneficiaries of my life insurance and retirement benefits.**

Sometimes people will try to avoid the time and costs associated with preparing an Estate Plan by simply naming their children as beneficiaries of their life insurance and retirement benefits. The unintended consequence of this is that children may receive cash distributions from these benefits as early as age 18. Additionally, income tax may be avoided by funding the kingdom causes close to your heart with retirement benefits.

## **10. The best gift to make to charity is cash.**

While cash is certainly the *easiest* gift for charity to receive, it is not always the most *tax-efficient* gift for the donor to make. Funding your gift with assets that have capital gains associated with them (i.e. stocks, real estate, etc.) is often more tax-efficient than giving cash. Additionally, tax-deferred assets such as IRAs are often used to fund final bequests due to the fact that most qualified charities are not required to pay the deferred income tax on such gifts.



Partners Worldwide is a member of Barnabas Foundation. Their goal is to help caring Christians make tax-wise decisions and strengthen support for ministries close to their hearts.

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