[Estate planning: The four documents you need | Fidelity]

Pamela Pirone-Benson: Anyone should do estate planning. It doesn't matter what your net worth is.
Ally Donnelly: What do we need?
Pamela: You need the core four documents.
Ally: Let's talk about it, taxes. [LAUGHS]
Pamela: Death and taxes the only two certainties in life, right?
Ally: Yes, exactly.   Tell us why it's important to have everything in order.
Pamela: It's about protecting yourself, your family, and your legacy.
[MUSIC PLAYING]
Ally: It's such an important but sometimes tough topic, so we're here to help with creating your estate plan. We're covering how to get started, what documents you need, and ways to approach those family conversations.
Hi, welcome to Money Unscripted, a podcast from Fidelity Investments. I'm Ally Donnelly. I want to introduce Pamela Pirone-Benson. She's a Vice President in Advanced Planning here at Fidelity, and is going to give us the tools we need to build a solid estate plan. Pamela, welcome.
Pamela: So great to be here, Ally. Thanks for having me.
Ally: A lot of people put off estate planning. Help us understand the why behind that, and then how you encourage people who are hesitant to get started.
Pamela: Sure. No one really wants to think about their death or talk about their death, but such an important conversation to have. You're going to get to control your own legacy, your own destiny. And you really also want to think about not only death, but incapacitation. If you're sick, you want to have a plan in place for somebody to step in and help you.
Ally: You hear the word or the phrase, estate plan. And I think, well, I don't have an estate. I just have stuff. So what is an estate plan?
Pamela: It's good to break it down that it's so much more than wealth. Anyone should do estate planning. It doesn't matter what your net worth is because it becomes about you making the decisions instead of somebody making them for you.

It's choosing a guardian for your children, asking somebody to step in if you were incapacitated. You don't want the state to do that. You want to be able to do that. And having that estate plan in place, it's more than just putting a beneficiary. But having a good plan in place is going to get you there.

Ally: And whether it's for your plan or your parents' plan, you're helping them-- obviously, these can be tough conversations, but like you alluded to, not having them can be worse. So tell us why it's important to have everything in order.

Pamela: Well, you want to be organized. That's important. And the reason you want to be organized is because if somebody has to step in and help you, you don't want it to be hard for them. The emotional piece is a lot. It's already enough dealing with somebody that you love that's sick or has passed away. Then on top of it, to have to play Sherlock Holmes, to have to look for all of the documents, that's a mess and an added stress.

Ally: You talk about your parents.

Pamela: Oh, yeah.

Ally: And I love that you say, well, your plan is only as good as people know where it is or what it is.

Pamela: Absolutely, yeah.

Ally: Tell me about your parents.

Pamela: I mean, so my parents have had an open discussion about their estate plan, which I think is good, trying to bring us all together. My father has everything organized. He's a little old school in the sense that he has a accordion folder where he has everything organized by title, has graph paper outlining what those accounts are and where to find them and who to call. But to me, that's invaluable. I want to be able to help them if I can.

Ally: OK. So we've talked about the why. Let's talk about how. Let's get into the mechanics of what are the steps I need to take to start an estate plan?

Pamela: Sure. So we talked about getting organized. Next would be to start to formulate your decisions around having those basic documents in place. You need the core four documents. That's what we think about. You need a power of attorney for financial decisions, a health care proxy for medical decisions, a living will, those end-of-life wishes, and then your last will and testament.

Ally: OK, so let's dig into those core four. First one, power of attorney.
Pamela: Yep. So that's a legal document. Generally, it's drafted by an attorney. And it's going to empower somebody or name an agent, they're called, to step into your shoes and pay your bills, run your life, make your financial decisions if you can't. Those power of attorneys can be immediate where you sign them, and somebody acts immediately, or they can spring into effect at a different time.
Ally: OK. So your second one is a health care proxy. First, what is it? And then how is it different from the power of attorney?
Pamela: Sure. So the health care proxy is going to deal with strictly medical. This is the person you're going to trust, if you can't make your own medical decisions, you're going to name somebody to step in for you. A lot of times, hospitals will ask you to sign one, but it's always great to have your own health care proxy outlining who that person is and what your wishes are-- different from the power of attorney, as you asked, which is just finances, really.
Ally: So also related to those health and medical questions is the core four of a living will. What does that cover?
Pamela: That living will is your end-of-life decisions. Now, that's really not the fun part of the conversation. In my experience, though, I once sat with a client who was dying. And their children came, and not all of them saw eye to eye.
One wanted to be on machines, who wanted to take them off machines. That living will was so invaluable to bring the family together. And there's a lot of topics in the living will. Do you want to be buried or cremated? The newest trend is nursing home versus at-home. Let people know what you want.
Ally: And you mentioned it briefly, but do I need to have an attorney for those three documents-- the power of attorney, health care proxy, living will?
Pamela: So generally speaking, Fidelity feels that you should have an attorney draft those three documents, along with your will. And a lot of times, attorneys will give you the legal and tax advice, and they'll package deal. They'll do the four documents together.
Ally: But if I don't have an attorney, must I have an attorney for those?
Pamela: You might be able to do them yourself If there's-- some states have forms online that you can use. Fidelity, for example, has our own Fidelity form. Again,

though, you'd want to have an attorney to give you that legal advice on what's the best power of attorney for you.

Ally: So last will and testament, what is it?

Pamela: So it's a legal document. You want to see your attorney to have it drafted. And it's going to have a couple of fiduciaries named in there-- one, being an executor; some states, a personal representative. They're going to get the job to help settle the estate.

If you have minor children, you're going to want to think about a guardian, somebody to take physical possession and care of your children. If your children, again, are minors or any beneficiaries that are minors, you're going to need a trustee-- somebody to step in and help manage the money.

It's also going to deal with your pets. It's going to deal with your stuff, those important things in your home, outlining where you want them to go. And then that will's going to help make that probate process easier.

Ally: OK, so you say your stuff, but it's also your house, your accounts. Map that out.

Pamela: Generally speaking, it's your house, your cars, your stuff. It could also be any brokerage accounts that don't have a beneficiary-- checking, savings, even potentially life insurance.

Ally: Last thing, will and testament-- do you need a lawyer here?

[LAUGHTER]

Pamela: Well, I think a lot of people a lot of clients, a lot of-- all of us, do we want to draft our own legal documents? So the will is a legal document. In some states, it's really important to be specific about do you need one witness or two witnesses? Do you need notaries?

I could share a story. When my grandfather passed away, he had an older will. And I brought it to court. And I do this for a living, right? I brought it to court, and the surrogate said, no, we're not accepting this, will. And I said, why? Said, well, there's something wrong with the witness. We can't prove her signature.

So I had to track down this witness in the middle of New York, and I had to give her a fee to now validate the will because it wasn't done properly. A lot of times, the attorney will help you have it executed properly so that it's valid.

Ally: And also with a will, there is a probate process. There's a court process, correct?

Pamela: Yeah. That evil word, probate.

[LAUGHTER]

Everybody talks about probate, and it is a court process. So your will equals probate. It means somebody's got to take that will to court and start a probate process.

Ally: OK. So that's a will. When or why might I need a trust?

Pamela: Ah, if only there was an easy answer to that question, do I need a trust? It's definitely fact and circumstance-specific. But the number one reason that people set up trusts-- certainly to avoid probate.

Ally: Meaning, if I have a will, and I name all the things I want to go to people, there's still a process. There's still a delay after I die.

Pamela: There is.

But if I put it in a trust?

Pamela: We might be able to avoid that delay. We're going to have a successor trustee that can step in without going to court. And that's what we refer to as a revocable living trust.

Ally: OK. Also with the trust, it's more private?

Yeah. We can avoid going through a public notice of everybody being put on notice. Maybe you're leaving some people in and excluding others. Maybe you have your favorite charities you're including, and you don't want somebody to be able to see who you left to. A revocable trust gets you privacy, as well as the ease of administration, and the avoiding of probate.

Ally: A will is a public record.

Pamela: Yes, it is.

Ally: OK, give me some examples of how people use trusts.

Pamela: Yeah. So think about if it's going to be a revocable trust or an irrevocable trust. Generally speaking, people might have real estate, their house. They want to avoid probate.

You could put anything non-retirement in a trust. Generally speaking, we usually see the house is something a lot of clients think about putting in a trust. But there's a lot of different reasons to use a trust. Maybe you have a special needs beneficiary. I had a client who has a health issue, and their child has a health issue, and they're going to put some of their financial accounts and their home into the trust to help protect it.

Ally: Let's talk about it, taxes. [LAUGHS]

Pamela: Death and taxes the only two certainties in life, right?

Ally: Yes, exactly. So what do I need to know?

Well, we want to make sure that we understand, do you live in a state with a state estate tax? There are states that, when you pass away, you're going to have to pay a state estate tax, depending on who's receiving the asset.

Ally: The state estate tax?

Pamela: State estate tax. Yeah.

Ally: OK, all right.

Pamela: So there are states that impose a price to die, a client once said to me. I said, you're right. So you pay taxes during your life. You pass away, there's this price to die, the estate tax-- state estate tax, as well as federal estate tax.

Ally: So how can proper planning help me reduce my estate taxes?

Pamela: Yeah, you could start to think about gifting. If you give it away before you pass away, that's money won't be part of your estate. And on the other side of it, you get to see someone enjoy and use it now, even if it's a person. Maybe it's your favorite charity. You can gift tuition and medical directly to an institution. And then a lot of times there's irrevocable trust strategies that you can bring in where you're gifting to a trust to remove that asset from your estate.

Ally: Meaning, it doesn't count in your grand total if it's in a trust.

Pamela: In an irrevocable trust.

Ally: Got it. OK.

Pamela: But you always want to consult your attorney. Gifting can get very complicated. There's forms you might have to file. So please, involve your accountant and your attorney.

Ally: So how often do I revisit my estate plan? Is it one and done?

Pamela: No, I would say have you have to think about life events, circumstances. Things change. People are born. People pass away.

Different fiduciary capacities, we want to think about, is there a divorce, a remarriage? Also, thinking about any other kind of health issue that might come about, maybe a change in your wealth, inheritance. You receive some money, changes in the law.

But at a minimum, Fidelity, we feel that every three to five years minimum, dig them out. You got to be able to find them and then be able to review them.

Ally: All right, so going into your dad's accordion folder.

[LAUGHTER]

Pamela: Yeah, we have to find it, which I know where it is, and then digging it out.

Ally: Awesome. So earlier, we talked about the why on the tough conversations. I want to dig into how a little bit more. So again, I think I've said this to you before, when I wanted to talk to my mom about estate planning, I was thinking, oh, this is going to be awful. It's going to be so painful, da, da, da. And she was ready to go. So how do I start those conversations?

Pamela: Well, I think a lot of times, too, you're relieving the pressure on the person by bringing it up yourself. I think you first want to not throw it at somebody in an inconvenient time, maybe having a comfortable environment.

I have a client that tells me every year her family's together at Thanksgiving, that's when she brings up the death and tax conversation. And I'm thinking, rather just eat turkey at Thanksgiving. But for her, it's amazing because everybody's there. She tells them who to call and where to find things.

So definitely bringing everybody together, having the important players there that are going to have a job, that power of attorney, that executor, and approaching the topic. It's not easy, but it's one to have.

Ally: But it's also a money topic.

Pamela: Yeah.

Ally: And that can get thorny.

Pamela: It can. But does it have to be a money topic surrounding dollars and cents? Probably not. Maybe the conversation is, I have assets in X, Y, Z. Call this person. You'll find the assets there.

Ally: And what about those assets? I mean, are we gauging the temperature on the assets? Christopher, would you like the house? Elizabeth, would you like the car?

Pamela: Yeah, who wants the tea set? Who wants the dog? Who wants the vase? I strongly believe that if you can hedge those conversations up front, that will cause less controversy and stress on the back end.

But it's also making a decision. Is it a voice versus a vote? Are you giving them a say, or are you giving them a vote to tell you what they want? You have to drive what that conversation looks like.

Ally: And do you hear that from clients that once they've had the conversations, that sense of relief?

Pamela: Oh, all the time. A lot of times here at Fidelity, too, we bring that next generation in. It's amazing so that they know where we are, what we're doing, who to call, and bring the family together. It's great.

Ally: That next generation, what does that look like in a conversation?

Pamela: Yeah. So a lot of times it's engaging that next generation. It's great if they can come to the table and have the conversation. Recently, as parents were talking to-- I had clients, they were talking to the children who were at the meeting as well. And the children were talking about how important it was for them, for the money to actually stay in the bloodline.

Sometimes, there's daughter in-laws and son in-laws and other people involved. So their objective was to have that money go from the children down to the grandchildren. And it's great because you don't want to always have that discussion with your spouse. The children share that with the parents. And the parents are going to design their estate plan where it stays in trust to children to grandchildren. It was a wonderful discussion.

Ally: Starting early. OK.

Pamela: Yeah.

Ally: We've covered a lot. So as people are walking away from this conversation, what do you really want them to take with them?

Pamela: Estate planning is so much more than just money. It's about protecting yourself, your family, your friends, and your legacy. I think, take action. If you don't do it, somebody's going to decide it for you.

Going back to those core four documents, definitely get those core four documents. And then your estate plan's only is good to the extent somebody knows where to go, where to find it, who to talk to. So make sure that you're organized, and somebody knows about it.

Ally: Get organized, get started, weight off your shoulders.

Pamela: Absolutely.

Ally: Oh, Pamela, thank you so much.

Pamela: Thanks so much for having me, Ally. It's great to be here.

Ally: If you're looking for more estate planning resources, check out our website Fidelity.com/MoneyUnscripted. And if this was a good conversation for you, share it with someone you care about. We'll see you next time on Money Unscripted. It's your life. Get your money's worth.

[MUSIC PLAYING]

[Disclosures]

Fidelity does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investments results. Fidelity cannot guarantee that the information herein is accurate, complete, or timely. Fidelity makes no warranties with regard to such information or results obtained by its use, and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.

Investing involves risk, including risk of loss.

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities. The views and opinions expressed by the Fidelity speaker are his or her own as of the date of the recording and do not necessarily represent the views of Fidelity Investments or its affiliates. Any such views are subject to change at any time based on market or other conditions, and Fidelity disclaims any responsibility to update such views. These views should not be relied on as investment advice and, because investment decisions are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity product. Neither Fidelity nor the Fidelity speaker can be held responsible for any direct or incidental loss incurred by applying any of the information offered. Please consult your tax or financial advisor for additional information concerning your specific situation.

1195862.3.2 Audio