

This is a transcript of the video called **Estate Planning from the Head**

ESTATE PLANNING IS A DECISION OF THE HEAD



Hello, and congratulations for taking the time to learn about something I hope you will find both interesting and educational. So let's have a serious discussion about illness, accident, death, and those we love. I want to look at this from two different angles. One from the head, the place of reason and logic, as well as from the heart, the place of feelings and emotions. Let's start in this video with the head

space, where we deal with things logically and rationally. Here we deal with the economics of things, the numbers, the figures, but we care about the outcomes as well, because it involves those we love and care about. While there are many steps that we take to protect our loved ones what I want to share with you is what it means to set up a comprehensive estate plan, which I consider one of the best gifts we can give to those we love as well as ourselves.

One reason I believe it is an important gift is that it ensures that a personal situation doesn't become a legal or financial tragedy. And this is what preparing ahead of time is all about. So the question is what's an estate plan. Well, let me clarify that it's not a financial plan. Financial planning is about growing your estate. It's about increasing your net worth. And an estate plan is not about growing. Rather. It's about managing and eventually distributing your estate. Now, this is important regardless of what you have because sometimes the smaller the estate, the more impact the bad decision can have. We all need to have a plan for managing and distributing assets. And the truth is we all do. And this is because in the absence of a plan that you initiate, the state in which you live, and the courts will provide you with one, and that is seldom a good option.

This is what is meant by intestate, that a person failed to set up any type of plan and now they and their family are under the supervision of the courts and the judges and attorneys who work to see that the steps are taken to protect the person who's hospitalized or has died since that person has left no directions. It's not a situation anyone would willingly enter. And yet two thirds of the population make that decision by not having made any other decision.

It's really not that big of a deal since there are only two choices- either will or a trust. And of course, powers of attorney. Now Webster's dictionary tells us that a plan is a detailed program for payment or provision of some service. So, looking at this definition, would you agree that a plan needs to be written, and needs to be legally binding, and it should identify who all the players are and what all the costs will be so that you know, upfront and have some sense of certainty about you and your family's future. So let's look at these costs of the two options, a will or a trust,

Which one's the right option for you? Do a math problem with me. Grab a sheet of paper and write down the value of your estate. Now, keep in mind that net worth, a term we've heard of is assets minus liabilities. In determining your estate value, you do not subtract out your liabilities. So if you're living in a home, that's worth 400,000 and you have a \$200,000 mortgage, your net worth would say that your home is 200,000, but when it comes to evaluating your estate, since we don't subtract out the mortgage, you have a home value of 400,000. Now with that in mind and estimating what your other assets might be, what would your estate value be worth? Let's use in this example, 500,000. Now, if we knock off a zero, that

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gives us 50,000 and that's 10% of the value of the estate. Divided by two, will give you 5% or in this case, \$25,000, do the same for your number.

Now what this 5% represents is what probate can potentially cost your family. That number comes from a variety of sources that say, when all costs are tallied, probate can easily cost three to 8% of the estate value. I know when my mother died, she had a small estate and it still costs us \$9,000 for her friend, the attorney to take it through the probate process. So what we are saying is that the cost of going through probate, which is what happens if you choose a will, could cost around \$25,000, give or take a percentage point. Now your estate may be less than 500,000 or possibly it's larger than that. And still growing. Here are some calculations looking at what these percentages are for different size estates. Unfortunately, what it will cost your family is totally unknown. It's a complete uncertainty. That's your dollars that you worked hard for, now going to someone else's children rather than your own.

The other option each of us has, is to set up a trust. From a cost standpoint, while it does cost a little more to initially set up a trust. One of its main purposes is to eliminate the need for probate and its extreme cost. Still a trust needs to be settled. And this can be an expense of 1.5% to 2.5% of the value of the estate. Unless you're a member, of course, see members pay nothing for this service, as well as all the other necessary lifetime services. As you can see, cost is a big factor in why people who understand these options choose to avoid the high cost of probate. There are two other concerns you should have about your estate going through probate. Not only is the cost in dollars and cents high, but it also cost time settling a state.

A will can take from six to 24 months. The average is 18 months. Exactly what my mother's attorney took to settle her extremely well organized estate. See, during that time, if you own a home, it sits, it can't be sold and it can't be leased until the probate process is complete. So who's cutting the grass, shoveling the snow keeping house in good condition during this time?

In addition to the cost of time and money, there's also the reality that a will, since it goes through the court system is a public record, and these records can be accessed by anyone with a computer. Privacy is gone. Here's an example of what I was able to bring up on my computer in less than a minute of searching. This is the last will and Testament of Jacqueline Kennedy Onassis. If you recall who she is, here's her will. You see it's all public now, right there on the internet.

Setting up a trust privatizes your estate, keeping it out of the courts, keeping it off the internet, keeping it a family affair. So as a summary of what we just reviewed, there's only two options. One puts your loved ones into probate and in the court system. The other keeps everything, a private family affair by avoiding probate. Your family will save a lot of money, a lot of time, and a lot of headaches. And with lifetime services, they will have the assistance they will need to honor you and your wishes minimizing their entanglement in legal and financial matters.

I hope this sheds some light on this important topic. Being prepared to keep control of a situation that will seem out of control is possible. And it's not a big deal. Chances are you have some questions about your situation. Send me an email or [schedule a time to talk](#).

Thanks, and congratulations for wanting to do things right.