

Avoid These 7 Estate Planning Mistakes

In fiction, the reading-of-the-Will scene typically sparks drama and intrigue. But in reality, most of us hope our Estate plan will have the more humdrum effect of providing for our loved ones with a minimum of fees, fuss or furor. Unfortunately, common Estate planning mistakes and misconceptions may undermine our good intentions. Steer clear of the following blunders.

1. Having no plan. Without an Estate plan, you leave your assets to be distributed according to state law rather than in accordance with your wishes. In such cases, probate may be time-consuming and assets may not pass to heirs as you would have wished. Also, taxes and fees that may have been avoided with thoughtful planning can diminish the assets intended to provide for loved ones.

2. DIY Estate planning. The self-reliant individual may opt to use Estate planning software rather than hire a professional. For some, especially those who are single and have few assets, such a step may be feasible. But as assets accumulate and families grow, Estate planning issues often become more complex than can be accounted for with a one-size-fits-all software program. And a poorly drafted Estate plan can leave families in a bigger muddle than no plan at all.

3. Unclear Estate planning. Regardless of directions given in your Will, certain assets, such as retirement accounts, insurance policies and joint-tenancy property, will pass to heirs by beneficiary designation or right of survivorship rather than through probate. Be sure all of your assets that pass outside of a Will are coordinated with your Estate plan to avoid unwittingly causing confusion and undermining your own arrangements.

4. Overlooking Trusts. A Trust is an Estate planning tool through which assets are passed directly to heirs, saving the time and expense involved in probate and protecting assets from creditors and lawsuits. In addition, Trusts allow you to stipulate how and when the assets are distributed. If you have property in other states, placing it in Trust can help you avoid ancillary probate; it is difficult enough to go through probate in one state, but having to do it in multiple states is not only difficult, but can be very costly.

5. Neglecting disability planning. A sound Estate plan will provide for the possibility of your becoming physically or mentally incapacitated in order to ensure that loved ones have a guide to your wishes and that someone you trust takes charge of your financial and physical well-being. The same is true for disabled loved ones; a disability Trust may prevent the loss of benefits and preserve assets.

6. Poor communication. Alert the people you've named as trustee, executor or guardian to the role they may one day play. These positions often come with heavy responsibility, and you should select people who are willing to take on the task. A corporate trustee may be needed in order to ensure the efficient and objective distribution of assets and more important, prevent intra-family animosity, which often accompanies a Trust in which one child is named.

7. Assuming your Estate plan is finished. Births and deaths, change in marital status, moving to a new state or changes in the law are just some of the events that can affect your Estate plan. Review your plan annually to make sure that it still reflects your wishes, at the least possible cost. Remember that an Advance Medical Directive, General Durable Medical Power of Attorney and General Durable Power of Attorney are equally important to your overall plan.

We can help you tailor an Estate plan to your situation and avoid Estate planning mistakes and their unintended consequences. For more information, call Bay Trust Company or visit www.baytrust.com.



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