

Common Financial Mistakes

A Five-Part Series on Common Financial Mistakes Made by Pre-Retirees & Retirees

PART FIVE: LEGACY

It is difficult to contemplate your own mortality. However, as difficult as it may be, it is an important piece of a comprehensive retirement plan. Most retirees have a goal of leaving an inheritance to their family or charity. With this goal comes essential questions which need to be answered such as, "How will the inheritance be distributed and to whom?" These are big decisions which require taking the time to put a plan in place. Failure to plan in this area may result in having your inheritance distributed not according to your wishes, and it could also mean that Uncle Sam becomes a much larger beneficiary.

Common Mistake #5: Not Having a Comprehensive Legacy Plan

Creating a comprehensive legacy plan starts with a discussion and answers some very important questions. "Where and to whom do you want your assets to go when you pass? How much are you hoping to leave behind? How would you like them to receive those assets?" Those questions are all financially related and are a vital key to a successful plan, but a comprehensive legacy plan isn't just about finances. It's also about your last moments. In addition, these questions need to be discussed, "What kind of care do you want to receive? Do you want a feeding tube

or not? Do you want extraordinary measures taken?" Most often a good comprehensive legacy plan involves a financial professional, attorney, and Certified Public Accountant all working together to fulfill your plan.

To legally state your final wishes, there are four legal documents I recommend my clients have as part of their comprehensive legacy plan. The first document is a will. A will provides instructions to the probate court concerning how you want your assets to be divided. Dying without a will in place can be a disaster because, without a will, the probate court will appoint an administrator to the estate. Multiple people can petition to be the administrator of your estate meaning that the administrator may or may not be the person you had in mind to carry out your final wishes.¹

The second legal document I recommend is a durable power of attorney. A durable power of attorney allows someone to act on your behalf if you become incapacitated. This person can write and cash checks on your behalf and pay your bills. This document is in place until you pass at which point the person appointed as your durable power of attorney loses their privileges.²

The third legal document is a living will. A living will states your desires regarding medical treatment in the event you are incapacitated. This is where those questions about whether you want a feeding tube or extraordinary measures to be taken are answered. The most important



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— Roger Ford

thing this document does is it relieves your loved ones from having to make tough decisions for you.³

The fourth document is a durable power of attorney for healthcare. This healthcare document appoints someone to act in your best interest regarding medical treatment should you become unable to make those decisions on your own. This person is for filling in the gaps that your living will does not cover. This person would not be able to supersede what you have written in your living will, they are tasked with fulfilling your wishes.

It is difficult to contemplate your own mortality, but it is essential to start the discussion and answer the tough questions now, to leave the legacy you wish for. These four documents are the beginning documents needed for a comprehensive legacy plan, and it is important to keep in mind that the more complicated the estate, family dynamics, and assets that are owned, the more planning needs to be done. Speaking from personal experience, take the time to plan your legacy, it is the best gift you can give to your loved ones.

¹<https://www.investopedia.com/articles/pf/08/what-is-a-will.asp>

²<https://www.legalzoom.com/articles/what-is-a-durable-power-of-attorney>

³http://www.alllaw.com/articles/wills_and_trusts/article7.asp

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