

## New Year Resolution #2: Creating An Estate Plan

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Several of my newly single ladies have asked, “What will happen to my children if I die tomorrow?” The concern is real...for the young widow, deciding on a guardian can feel overwhelming. For others, the wonder may revolve around finances, “Are my children old enough to make sound financial decisions?” Others are eager to finally feel the reins of control in their hands as they deliberate between various charities that might not have been a priority for their spouse. Regardless of the situation, estate planning is important for everyone, but it takes on even greater significance for single parents. Your primary goal should be to ensure that your children are cared for both financially and emotionally, despite not knowing what the future holds. By taking proactive steps, you can provide peace of mind and security for yourself and your family. Below are a few items to help you get started:

### **Name a Guardian for Your Children**

Perhaps the most important aspect of estate planning for single parents is designating a guardian for your minor children. This person will step in to care for them if you cannot. It is critically important to discuss your decision with the chosen individual to confirm that they are both willing and prepared to take on this responsibility. It is common to stipulate instructions regarding your desires for their care and upbringing.

### **Create a Will and Update Beneficiary Designations**

Your will is the foundation of your estate plan. This legal document not only names a guardian for your children but also outlines how certain assets will be distributed. Without a will, the court would make decisions on your behalf, which may not align with your wishes. One important caveat is that retirement assets and life insurance policies pass via beneficiary designation as opposed to under the instructions in a will. Thus, it is critical to review these as life evolves and your circumstances change. Since these

designations override your will, it is essential to ensure that they reflect your current wishes. How uncomfortable would it be to find out after remarrying that an ex-spouse was still named as the beneficiary of a large retirement plan?

## Consider Whether a Trust is Appropriate

In some cases, it may be appropriate to use trusts to protect your children's financial future. These vehicles allow you to establish conditions for how and when assets are distributed, such as to fund education or an automobile purchase. It is important to note that an additional step with these vehicles would be to name someone you trust to oversee and approve requested withdrawals. As such, these folks are called "trustees."

## Plan for Disability or Incapacity

Estate planning encompasses more than stipulating what happens after death. The process also provides you with the opportunity to create additional documents to manage your affairs if you become incapacitated including:

- **Durable Power of Attorney:** this document grants another person the authority to manage your finances and legal matters. Most commonly this authorization becomes effective when a doctor deems a patient unable to effectively pay bills, etc.
- **Healthcare Proxy and Living Will:** this document is sometimes called a medical directive as it appoints a trusted individual to make medical decisions for you and outlines your preferences for medical care. In addition, this document stipulates whether you want to receive life-prolonging measures if you are in a coma. While there have been many instances of gifts clients have given to their adult children, this is by far one of the most appreciated as it leaves little room to wonder, "What would mom want me to do?"

## Secure Life Insurance

For many, life insurance is a cornerstone of financial security for single parents. It provides the necessary funds for your children's care, including housing, education, and daily living expenses, should something

happen to you. Our advisors calculate an appropriate amount of coverage based on client needs and make an introduction to an agent to secure the appropriate type of policy. For many, term policies are the most affordable way to provide the needed coverage for a specific period of time, such as during your working years.

## **Final Thoughts**

It is important to store your will, trust, and other critical documents in a safe, accessible place, share the location with your chosen executor or trustee, and provide copies to key individuals, including your financial advisor. Life changes, such as a new job, relationship status, or changes in your children's needs, may require updates to your estate plan. Review your documents annually or after significant life events to ensure everything remains current. Finally, you will want to discuss your intentions and plans with your chosen guardians, trustees, and any other individuals who will be involved with your estate. Clear communication can prevent misunderstandings and help everyone prepare for their roles.

Above all, as a single parent, creating an estate plan empowers you to make important decisions for your children's future. While it can at first feel overwhelming, following the steps above (with guidance from an estate planning attorney and your financial advisor) can make it more likely that your wishes will be honored. Ultimately by planning today, you are creating a legacy of love, care, and security for the ones who matter most. The beauty of this process is that it can be replicated as life evolves and priorities change.

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