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Things You Control

Getting started with Estate Planning

Say “estate planning,” and people envision those who own mansions, yachts, expensive toys and priceless heirlooms. But the reality is that everyone should have an estate plan and a Will. After all, these documents basically put into writing what your wishes are about how you want your belongings to be distributed after you have passed on. And the benefit to you is that you can prevent or discourage fighting among potential heirs by spelling out what each beneficiary will receive. You decide—not a court, and thereby prevent the ugliness that could easily follow.

Estate planning has a simple objective but getting it done can be complex. Here are some Estate planning basics.

Have a plan. Without one your voice has less chance of being heard.

Understand the plan clearly. Get your attorney to tell you what the plan documents say simple language.

Don’t set it and forget it. Your life evolves so should your documents.

Avoid doing it yourself. It’s tempting to “save” the costs – but you won’t know if your plan works till it’s too late. BUT, doing a draft version by yourself may save you wasted time (and hence money) when you do engage a lawyer. And, professionals can highlight issues you might not think of.

Make sure all your assets have the current and correct ownership. The name and address on your brokerage statement is far more than a mailing label; it shows who owns the securities in the account.

Make sure you fund your revocable trust (a living trust). These trusts help you avoid probate, but only if they are funded.

Co-ordinate your asset ownership and listed beneficiaries with your Will and Estate documents and also your trusts. For example your retirement assets list your beneficiaries separately so make sure they remain consistent with your Estate documents.

Understand your estate tax liability. Your heirs will likely get less than what you think you are giving them

Use an experienced Trust and Estate lawyer. They are current with the laws and they see so many situations – both different and similar to yours.

Please note: Dorchester Advisors does not do Estate Planning work. But we see that clients, who have done this task well, benefit greatly.

So why then do we discuss estate planning? Because investment portfolios run with estate plans in mind are constructed and managed differently.

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

I believe that when we hope or worry, we are largely looking at the future and are focused on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. And yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes.

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

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Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest mountain is as important as getting up: Pay as much attention to accumulating money before you retire as you do to consuming it after you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.