Dorchester Advisors
Money worked harder

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Things You Control

Estate Planning Basics

Creating a legally binding plan to distribute your possessions after your death provides you with the peace of mind that your wishes will be carried out as you desire. But, to accomplish this, it is crucial that your estate plan meets both Federal and your state's legal requirements to ensure your final wishes are honored.

Therefore, we think you should seek expert help from an estate-planning attorney. And, we think you can have a more productive session with your attorney if you do some prep work.

Estate planning Prep work

1. Think about what you want to accomplish.

   Consider: Will you be providing for children under 18? Or are your beneficiaries young adults, older adults, relatives, or charities? Options you may consider include a will and/or a trust.

   A will is a legal document that takes effect upon your death. It outlines your wishes, including provisions for guardianship of your minor children. It works well if your needs are straightforward.

   Trusts provide control over the distribution of assets, privacy, and potential tax advantages. A trust is a fiduciary arrangement that allows a trustee to hold assets on behalf of beneficiaries. Choosing the right type of trust allows you to specify exactly how and when the assets pass to the heirs.

   For example, you may decide to create a **living trust**, which transfers your assets to your beneficiaries and avoids probate.

   Or, if you are concerned that a young adult might fritter away their inheritance, a **spendthrift trust** might be the answer. Instead of allowing immediate access to the assets, the trustee of a spendthrift trust dispenses the assets over time. Additionally, a spendthrift trust typically protects assets from creditors, bankruptcy, divorce, and lawsuits.

   Or, Is there a need to minimize taxes? An **irrevocable trust** might fit into your plan. By placing assets into an irrevocable trust, your estate's value is reduced for estate tax calculations. And, irrevocable trusts help to protect assets in lawsuits.

   Other types of common trusts include: charitable trusts, special needs trusts, generation-skipping trusts, and bypass trusts (The latter two offer ways to reduce the estate tax).

   Clearly, complexities abound so consulting with an estate-planning attorney can help you decide if a trust, a will, or both are best for securing your assets for your heirs.

2. Take an inventory of your possessions.

   It's important to create an inventory of your assets, such as bank accounts, insurance policies, investment accounts, and personal belongings. (Here is a link to our ICE Document to get you started).

3. Have the difficult conversations.

   If you were to pass away suddenly, do your loved ones have access to important documents, financial statements, passwords, your Mobile phone etc.? It is important to inform your loved ones about the location of your will and the legal professionals who will handle the process. This way your heirs won't be forced into an unexpected scavenger hunt for key documents in the event of your unexpected passing. (ICE Document)

4. Choose the right executor or trustee.

   Select a responsible individual or institution to act on your behalf. You need someone dependable, trustworthy, organized, fair, and financially savvy. Identifying the best candidate is easier if you identify specific people and evaluate them against these important attributes.

5. Do designate and regularly update your beneficiaries.

   It's common to list a beneficiary or beneficiaries for an IRA and life insurance policy. However, it's crucial to ensure that your designated beneficiaries align with your will. For instance, if the will you drafted last year names Bob as the recipient of your IRA at ABC Brokerage, but the beneficiary listed 15 years ago is Sally, Sally will be the recipient of the assets.

6. Prepare for medical decisions.

   Estate planning isn't complete unless you prepare legal documents such as a durable power of attorney for financial matters and a medical power of attorney for medical decisions. They are critical in the event you are incapacitated. These documents appoint trusted individuals to make decisions on your behalf when you can't.

7. Update your estate plan regularly.

   Life is full of unexpected turns. Milestone events such as marriage, divorce, births, and deaths can significantly impact your wishes and create gaps in your plan. Even charities and organizations that used to hold significance may not have the same impact anymore. Therefore, it is important to periodically review and make necessary adjustments to your plan.

Estate planning is a personalized process, and these steps are a starting point to be better prepared for discussions with your attorney. An estate-planning attorney will ensure that documents are correctly prepared, avoiding costly and time-consuming missteps later.

Note: These comments are not to be regarded as legal advice; please check with your legal advisor for your specific situation. And, Dorchester Advisors does not do Estate Planning work.

So why then do we – an investment advisory firm - discuss estate planning? Because investment portfolios crafted with estate plans in mind are constructed and managed differently. We see that clients, who have done this task well, benefit greatly.

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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Founder and Investment Advisor

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 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.