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5 Simple Steps to Decrease Your Estate Costs

When executed properly, estate planning can minimize legal fees, decrease taxes and lower administrative expenses.

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By DANIEL A. TIMINS, ESQ., CFP® | Law Offices of Daniel Timins
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Like so many undertakings in life, leaving loose ends when it comes to your estate planning can lead to lost opportunities, stressful last-minute fixes or, ultimately, failure to achieve the desired end result—more money left to your family, friends or choice charities. It can cost your estate dearly, and sometimes no amount of time or money can rectify the problems left by half-hearted efforts.

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Here are some steps you can take to minimize your future estate costs. And if your estate attorney never discussed these topics, it might be time for a legal checkup or a second opinion.

1. Update your beneficiaries.

At the time of your death, a lot of your estate may not pass by your will. With retirement plans, life insurance and transfer on death (TOD) accounts, you can name a beneficiary to receive these accounts once you pass away.

Remember that a will is only used when we cannot otherwise determine what should happen to an asset when you pass away. If you name your cousin as the TOD beneficiary of your bank account, all he needs to do is provide the bank with your death certificate, and the funds will be transferred to him—no probate needed. Same goes for you IRA or life insurance policy. Naming responsible people as account beneficiaries (meaning people with no debts or disabilities) is a great way to avoid probate and its associated court costs and attorney fees.

And you must be sure to keep your beneficiary forms up to date. Especially if you have been working at a job for more than a decade, you may forget to change your beneficiaries even after the named people pass away. If there is no proper beneficiary named to receive these accounts, your executor must now begin a probate that could have been avoided.

The issue is that many attorneys are not very good with filling in beneficiary designation forms. In addition, many estate planners charge a flat fee for their services, so they have no incentive to go the extra mile, and it is easier for them to draft your legal documents and then say, "My job is done; now you change your account beneficiaries on your own."

2. Cash in physical bonds and stock certificates.

Physical securities are yesterday's news, and tomorrow's problems. Government bonds can be easily lost and are often forgotten, left already mature and not paying out more income. Stock certificates can be even worse, since the stock may have split or paid dividends that were never collected properly. And for some Murphy's Law of estate planning, these assets usually appear after a probate has been settled. This means that an attorney may have to reopen your estate. Turn in those stock certificates to your brokerage account and keep them in electronic format. Find a bank that will accept those old EE or II bonds and deposit them; and if you are worried that realizing the taxes on these bonds will eat into your assets, believe me when I tell you the legal fees your estate shall eventually have to pay will make those tax dollars look like a light dessert after a voracious meal.

3. Check your deeds.

You have just paid thousands of dollars to have an attorney draft you a trust, but the deed to your real estate is not changed to be owned by that trust. In most states, this means the real estate does not pass through your trust, and instead passes through your will and probate when you die.

This outcome can be very costly: Whereas a trustee can list the house for sale within hours of your passing, an executor of your will must first collect documents and procure family signatures to begin the probate process, apply to the court and, in some states, even get court permission to sell the house. In the end, you'll have wasted thousands of dollars paying for real estate taxes, utilities and other carrying costs.

4. Consider consolidating your accounts.

Having too many accounts means more work and more legal fees. Having multiple beneficiaries means more work and more legal fees. Every account, whether it holds $1,000 or $1,000,000, requires a certain amount of work to collect it so consider keeping fewer, larger accounts. (Plus, smaller accounts are easier to miss during the initial collection period.)

Leaving a distant nephew a $500 bequest in your will is going to cost you more than $500 to deliver it to him. Keep fewer, larger bequests in your will; better to use TOD accounts for smaller bequests.

5. Keep track of family.

Ask my mom, and she will tell you: I have lived in a lot of places during my life and have not always kept as close contact as she may have wanted at certain times. This can be a real problem if she dies and her retirement plan that named me as beneficiary still has the address where I lived in 2004.

People in small families should name all of their nearest relatives since most states require a listing of heirs under a will even if certain family members are receiving nothing. For example, I have one client whose parents, husband and seven siblings are deceased. She has no children, but has more than 20 nieces and nephews living throughout the country, who all have to be found if she leaves any property to be distributed under probate. The costs for finding these people would practically eat up all of her estate if she had not provided me with their information.

Keeping a secure catalogue of family members and accounts will allow your estate to avoid paying private investigators, genealogists, forensic accountants and attorneys.

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Daniel A. Timins is an estate planning and elder law attorney and a certified financial planner, helping clients with wills, probate, living needs and Medicaid planning.

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