

Planning for the Unexpected

Estate Planning Tools to Help You and Your Family

For many of us, estate planning is something we know we should do, but somehow manage to postpone until some indefinite time in the future. However, putting off this part of your financial life could mean passing over an important opportunity to help ensure the lifestyle you've worked so hard to create. Once you start, you will likely find it is a positive and constructive thing to do. Once you have completed an estate plan, you will have a structure in place to help care for your loved ones in the event something happens to you.

Why You Need an Estate Plan

The primary purpose of estate planning is to help ensure that you control how your assets are distributed after death. Estate planning is also about planning for unexpected events, such as physical or mental impairment.

A well-crafted estate plan is likely to have multiple goals:

- Protect your lifestyle
- Provide for your family and others, including charitable organizations that are important to you
- Control distribution of your assets
- Help minimize estate taxes

You may need to consider different tools, resources and strategies to help you achieve your goals.

Key Roles in Estate Planning

Implementing your estate plan will become the responsibility of the individuals and/or institutions you name to play key roles in your estate planning documents.

Key Roles Include:

- **GRANTOR.** The person establishing and funding a trust.
- **EXECUTOR.** The person or institution named in your Will to carry out its instructions, including filing for probate, and distributing assets, paying debts and preparing final tax returns.
- **TRUSTEE.** The person or institution named in your trust documents and your Will to oversee the assets held in trust and perform all trust-related financial and investment management, administration and reporting. This role requires a substantial commitment of time and involves complex decisions. While it may be appealing to choose a family member or trusted friend to act as trustee, it may be more appropriate to select an institution that has the experience and resources to assume these responsibilities as a trustee or co-trustee.
- **GUARDIAN.** The person named in your Will to be responsible for the care and well-being of your minor children.
- **BENEFICIARY.** The recipients of your funds, property or other assets.

Estate Planning Checklist

Do you have the right resources in place to help protect you and your family? You may need:

In the Event of Physical and/or Cognitive Impairment

- ☐ **LIVING WILL** – A legal document declaring your wishes regarding medical measures that might be taken to prolong your life in case of serious illness or injury. A living Will puts your medical wishes in writing so your loved ones will not have to make difficult decisions on their own.
- ☐ **DURABLE POWER OF ATTORNEY FOR HEALTH CARE** – Also known as a health care proxy, this document appoints someone you trust to act as your health care. This person is authorized to make health care decisions on your behalf if you are unable to do so. Without it, your loved ones may need to get a court order to make health on your behalf. The actions taken by your health care agent will be guided by your instructions contained in your Living Will.
- ☐ **DURABLE POWER OF ATTORNEY FOR FINANCIAL MATTERS** – A durable power of attorney (“POA”) gives someone legal authority to make financial decisions for you. A POA is generally effective immediately on signing and is not affected by subsequent incapacity. Without a POA, your loved ones may need to get a court order to make financial decisions on your behalf.
- ☐ **INVENTORY OF IMPORTANT INFORMATION** – This includes information about your property, bank accounts, brokerage accounts, investment advisory accounts, and retirement accounts, insurance policies, employee benefit plans, mortgages and debts. It also includes your estate planning documents and beneficiary designation forms. Maintaining an inventory of important information relating to your finances and letting your family know where to locate it will make it easier for them to handle your affairs.
- ☐ **DISABILITY INSURANCE** – This type of insurance replaces a portion of lost income if an illness or injury prevents you from working. This can help protect your standard of living and help avoid forced liquidation of assets to pay for medical and living expenses in the event of disability.
- ☐ **LONG-TERM CARE INSURANCE** – This type of insurance helps pay for the costs associated with illnesses and/or disabilities caused by age and infirmity, such as nursing home care. Long-term care insurance can help mitigate the risk that long-term care expenses could deplete your retirement savings.

In the Event of Death

- ☐ **LIFE INSURANCE** – Life insurance provides financial benefits for your loved ones if you pass away. In addition to helping replace the loss of future income, pay off debts and pay one-time expenses, (e.g., funeral costs or future college tuition), life insurance can provide liquidity for estate settlement costs and estate taxes. Used strategically, life insurance can also help address other estate planning objectives, such as reducing the impact of estate taxes.
- ☐ **LAST WILL AND TESTAMENT (“WILL”)** – Your Will is a legal document that sets forth your wishes regarding the distribution of your property and names guardians who are authorized to take care of your minor children. Without a Will, state law will determine how your assets are distributed and who will be named as the legal guardian of your minor children.
- ☐ **TRUSTS** – There are a variety of life events and situations where trusts may be beneficial, including tax law changes, marriage, college saving, a child with special needs, serious illness, inheritance and retirement planning.
- ☐ **LETTER OF INSTRUCTION** – This non-legally binding document provides an easy to understand explanation of your overall estate plan to your family and executor. Typically, it will provide a list of key contacts and advisors, as well as the location of your Will and other important documents.

Once you have a plan in place, be sure to discuss it with your family so they are aware of your wishes. Remember that your estate plan isn’t static. It may change as your life unfolds or priorities change, so revisit it periodically, especially after major milestones such as marriage or divorce, moving to a new state or your heirs coming of age.

At Morgan Stanley, we work closely with you and your estate planning team, including your attorney and accountant, to bring all the elements of your estate plan together to help ensure that you have an integrated strategy in place to help protect yourself and your family. **Let’s have that conversation.**

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