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*Tips from Your Financial Coach*

October 10, 2011



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## Communication: The Key to an Effective Estate Plan

**S**omebody much wiser than me once said that the single biggest problem in communication is the illusion that communication has taken place. Ineffective communication can be very costly when it comes to your estate plan. It is not enough to simply sign a will and trust. You must also transfer ownership of assets to your trust; you must name beneficiaries of your life insurance policies and retirement accounts; and you must communicate to your family where to find important documents in the event of your death. Many people take the time to complete all of the necessary paper steps, only to fall short in communicating their estate plan to their families.

The financial consequence of failing to keep your documents in order can be very costly to your heirs. Currently, unclaimed checking and savings accounts total \$32.9 billion and unclaimed life insurance policies are estimated to total over \$30 billion. How did this happen?

- Family members may not know all of the assets you own. As a result, they must perform their own detective work, which includes going through your file cabinets and watching your mail. This can be a daunting task and important papers can easily be overlooked.
- Life insurance companies are not required to verify that you are still alive. Instead, they only pay a benefit if the beneficiary can prove your death. If the beneficiary is unaware of the policy, the life insurance company will never be contacted.

This is why I recommend creating a comprehensive folder of documents that your family members can access in case of an emergency. Be sure to communicate where this folder is located. The folder should include:

- **A copy of your will and trust.** Copies are fine for this folder, but make sure your family knows where the original documents are located. Many people hold their original will and trust at their attorney's office or in a fireproof safe for safekeeping. If your family cannot find the original documents, your estate can be subject to litigation.
- **A Letter of Instruction.** Although a letter instruction does not hold any legal weight, it can be a good way to make sure the executor of your estate has the names and contact information for your attorneys, accountants and financial advisors. You might also want to include your funeral wishes in this document.



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- **Proof of Ownership.** You should let your spouse and family know where you keep proof of ownership for your real estate, cemetery plots, vehicles, stock certificates, savings bonds, partnership or corporate agreements, brokerage statements, annuity statements and escrow mortgage accounts. Is this information in your fireproof safe or safe deposit box? If so, your family will need to know how to open the safe or where the key is located.
- **Bank Accounts and Investment Accounts.** Provide a list of all accounts and online log-in information so that you family can notify the bank in the event of your death.
- **Safe Deposit Accounts.** You might want to consider registering your spouse or child with the bank so that they can have access to your safe deposit box without securing a court order. Again, make sure your family knows where the key is located.
- **Notes Receivable Documents.** Include any outstanding notes that another person or entity owes you. Keeping documentation for notes between family members can be very helpful in maintaining family harmony after you are gone.
- **Loan Documents.** Include any mortgages and private debts that you may owe.
- **General Power of Attorney.** A general power of attorney gives somebody else the power to take care of your financial affairs in the event you are incapacitated. If you are incapacitated and your family cannot find this document, they will need to go to court to get a guardian appointed.
- **Medical Power of Attorney.** A medical power of attorney allows the person you appoint to make health-care decisions on your behalf in the event you cannot make those decisions on your own. Again, communication is the key to the effectiveness of this document. Be sure that you take the time to communicate your medical wishes to your designee.
- **Life Insurance Policies.** Family members should know the name of the carrier, the policy number and the agent to contact in the event of death. Be sure that you provide information for any employer provided life insurance, especially for any benefits offered to retirees, as these are often missed by heirs.
- **Retirement Accounts.** List IRAs, Roth IRAs, 403(b) plans, 457 plans, 401(k) plan, or pension plans. Provide account information and who to contact in an emergency. As many employer accounts are managed on-line and do not have a paper trail, be especially careful to include passwords and contact information for any plans remaining at a former employer.
- **Marriage License and Divorce Decree.** Be sure your spouse knows where you keep the marriage license or else he/she may have to wait months before he/she can even begin to claim assets held in your name. If you are divorced, it is important to leave a copy of the divorce judgment or decree. Be sure to include a copy of the “qualified domestic-relations order” so that your estate can prove your former spouse has already received their share of your retirement accounts.