

4 Things That Should Be in Your “Financial Love Letter” (aka Your Estate Plan)

By Laura Bogart

Featuring Gregory L. Matalon, Partner

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When we think of love letters, we might imagine grand declarations of passion between partners, or maybe a parent's expressions of pride and joy in the growth of a beloved child. Rarely do we think of a will and testament, information about trusts, advanced directives or healthcare proxies.

Yet providing this kind of detailed information about how to handle your estate is one of the most loving gestures you could offer your family. In a moving essay, writer Laura Wheatman Hill described the “financial love letter” her father drafted for her family. She talked candidly about the value of knowing exactly what he wants for his assets and within his healthcare directive.

“Even though it's morbid to think about our dad dying, my sister and I discussed the letter and decided we are very happy that he put in the work to tell us exactly how he wants everything to play out,” Wheatman Hill wrote.

“The appointment of a guardian can be a costly process at an emotionally difficult time and may result in the appointment of a stranger to make these decisions, and not a trusted relative or friend. And, without clear gifting provisions outlined in the power of attorney documents, a principal's assets may be lost to long-term care expenses or estate taxes.”

—GREGORY L. MATALON

To help you understand the elements that should be in your own financial love letter, GOBankingRates talked to several estate planning experts.

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A Proper Will and Revocable Living Trust

The foundational step of any estate plan is a proper will. If you should pass away without a will in place, you'll have died “intestate.” According to Asher Rubenstein, partner with Gallet Dryer & Berkey LLP, this means that the probate court will oversee your estate and decide who will receive your assets — a distribution that may not align with what you or your family wanted.

However, relying only on a will to share your assets automatically involves the courts and makes your will a public document. On top of the monetary costs and potential delays of dealing with a court, you're exposing your family members to the prying eyes of anyone who accesses the court file.

“This, in effect, could be a roadmap to a family member inheriting significant assets. Most people would not want this information to be public,” said Rubenstein.

He explained that in addition to a will, a proper estate plan should include a revocable living trust. “After the person passes away, his or her trust has a continuing duration on its own. This trust should include the same inheritance provisions usually contained in the will,” he said. “Whereas the will has to go through probate and becomes a public document, the trust may bypass probate and remain private.”

Trusts also give the trustee immediate access to the assets in the trust, allowing them to share everything with the beneficiaries much more quickly — as opposed to waiting for a probate court to certify a trustee and approve their access.

Power of Attorney

Giving someone your power of attorney is the ultimate sign of trust, since you're empowering them to manage your financial affairs if you're unable to do so. Choosing someone you know will honor your wishes and making your wishes clear to them is an essential part of making sure that everything goes smoothly.

Healthcare Proxy

Having to suddenly decide what a loved one would want if they were incapacitated by illness or injury could feel emotionally devastating. This is part of why Wheatman Hill's father included a clear advanced care directive in his letter.

“I'm not going to have to debate with my sister about whether he wants resuscitation or extended care if he is in a vegetative state or has reached the end stages of a degenerative condition — he told us. He also told me I get to use my best judgment about moving him to a facility near me if he needs care,” she wrote.





Ensuring that you have someone picked out who can fulfill all your wishes for advanced care or healthcare decisions is an essential part of estate planning. As **Gregory L. Matalon, a partner with Capell Barnett Matalon & Schoenfeld LLP**, explained, a healthcare proxy “allows an individual to determine who will act regarding healthcare matters when that person cannot. It also allows an individual to declare their wishes regarding medical intervention measures.”

Matalon shared that if you don’t draft a healthcare proxy and power of attorney, the court may appoint someone else to make these decisions for you and your family.

“The appointment of a guardian can be a costly process at an emotionally difficult time and may result in the appointment of a stranger to make these decisions, and not a trusted relative or friend,” he said. “And, without clear gifting provisions outlined in the power of attorney documents, a principal’s assets may be lost to long-term care expenses or estate taxes.”

Clear Communication and Easy-To-Find Documents

Having a sense of who you’d like to be in charge of your health and your assets, as well as what you’d like to distribute among your beneficiaries, is important. But it doesn’t do anyone any good if they don’t know where to find, or how to understand, your documents.

For David Johnston, CFP, managing partner at Amwell Ridge Wealth Management, clear communication is the foundation of good estate planning. You should have a method for ensuring that all of your accounts, belongings and interests can be easily identified.

“Without either a written plan — or a digital portal — outlining where everything is (and whom to call), family members are left to embark on a scavenger hunt with neither a map nor a list of what they are looking for,” he said.

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