CAMBRIDGE TRUST **Thought** SERIES

A Quality of Life Plan

By Laura C. McGregor Vice President and Trust Officer, 617-441-1434

How do life changes affect planning?
There are many changes in life and those we think of most often are the birth of a child or grandchild, retirement, or loss of a spouse. Other changes we do not think of as often are longevity, incapacity of a spouse or partner, unexpected changes in living costs, or shifts in the financial landscape.

Longevity
When we think of longevity, it is often associated with the idea of traveling and enjoying the golden years but not of living long in retirement. Today, more than one in three 65 year olds will live to the age of 90 and more than one in seven will live to the age of 95 (www.socialsecurity.gov). Planning for a long life is critical as we are living much longer. There are the financial aspects of longevity involving retirement benefits such as 401(k) plans, IRAs, and social security; when and how much to contribute and when to withdraw. There are also the nonfinancial considerations of having a life plan for the unexpected and living longer. Even if we do not live longer, we should have a plan in place to maintain or improve our quality of life.

The Unexpected
We think about our own health as we visit doctors, have tests, and monitor our results, but may not often think about serious illness or incapacity of our spouse, partner, or parents. When the unexpected happens, it can be a very difficult time for you, your spouse, family, or close friends regardless of your age. Preparation is critical in handling the unexpected. It is important to know where assets are located, how assets are titled, have your legal documents up to date, and know where those documents are and how they work.

What would you do if a parent has a sudden illness, is hospitalized for weeks, and then passes away leaving a surviving spouse? The deceased spouse paid all the bills and handled the finances and the surviving spouse had no idea where their funds were located, who had access to the funds, and who to contact for assistance. How are the bills going to be paid including the funeral bill? You need a plan.

Have a Life Plan
A life plan is compromised of organizing documents, selecting a team, keeping legal documents up to date, and communicating with key players in your plan.

First: Organize your documents. Gather and organize information about your assets, benefits, insurance (including life, health, long-term care, and homeowners), and your income and expenses, bank, retirement, and investment accounts. In addition you should include the name and contact information of your advisers, your medical history, healthcare wishes, and burial wishes. All of this material should be made accessible to your spouse, partner, attorney- in-fact, health care agent, trustee, or named executor. The location of all legal documents should be made known to the person who will be in charge of your affairs if you are incapacitated. A notebook with electronic back up is a great way to organize your plan. If the notebook is in your home and you are unable to access your home because of a natural disaster, the alternative electronic storage will be helpful and someone you rely on will have all of the important information together in one location.

Second: Select a team. You will need key players to serve as your health care agent under a health care proxy for medical decisions, attorney- in- fact under a durable power of attorney for handling financial matters, guardian for minor children, trustee, and personal representative. These individuals may be family, friends, or trusted advisers such as an accountant, lawyer, or trust officer (not named individually). You will need people whom you trust and find comfortable and easy to communicate. However, they must understand in advance what may be expected of them, be available and able to assist when needed to handle decisions on your behalf, and also know when to seek help.

Third: Make sure you have the appropriate legal documents which name the key players of your team. The basic documents include: health care proxy, durable power of attorney, will, and if appropriate, a revocable trust. Your attorney may suggest additional documents depending upon whether you own a business or investment properties, for example. The legal documents needed depend on each individual's assets.

Fourth: Make sure your assets are titled properly and your beneficiary designation forms are up to date. Only assets titled in your sole name pass under your will. Assets with a beneficiary designation such as IRAs or life insurance pass to the beneficiary named on the form. Assets in the name of the trustee of a revocable trust stay in trust and pass according to the terms of the trust. You want your estate plan to work and you may have a great plan but if the assets are not titled properly or beneficiary designations are not up to date, your plan may not work. Here are two examples of what can go wrong:

Wife has married twice and has children from her first marriage. All of wife's assets are titled in joint names with rights of survivorship with her second husband. She has an estate plan with a will and a revocable trust leaving all of her assets under her will to her trust. The trust provides to take care of husband during his lifetime if he survives her and on his death the assets will pass to her children. Warning! Since all of wife's assets are jointly titled with husband as mentioned above, all of her assets will pass to him if he survives her and nothing will be in her trust and ultimately nothing to her children as she intended. Husband will be able to pass the assets according to his will. Make sure your assets are titled properly.

Individuals with multiple IRAs or 401(k) plans should review the beneficiary designations to make sure the named beneficiaries are accurate. This situation can arise over a long career and a few job changes. Each 401(k) plan, IRA, or other type of retirement account has a beneficiary designation form on file with the trustee or custodian and each account could have a different beneficiary. The balances in each plan may vary widely even if they have started out at the same size. The result could be that some beneficiaries receive substantially more than others. A thorough review of all beneficiary designations should be done and changes made if necessary to carry out the intent of the account owner. For example, if your will or trust treats all beneficiaries equally and your retirement account designations are not up to date, your will does not accomplish this intent unless there is a specific provision in the will to equalize among your beneficiaries. As a reminder, assets with a beneficiary designation pass outside of your will or trust.

Fifth: Keep your legal documents up to date. Organize your documents. As your life or your family changes, make sure your will and trust change along with them. For example, if a child develops health issues and your plan has this child's share of assets distributing outright to your child upon your death, you may want to consider a change in the terms of your will and trust. Your concern may now be to ensure that there will be assets for your child's care during lifetime and then go to your grandchildren. You would change your plan accordingly so instead of the assets going outright upon your death, they remain in trust for the benefit of your child during their lifetime and then to grandchildren. As your life changes, and as the tax laws change, these should also prompt a review and update.

Finally: Communication is crucial. It is great to be organized and updated on all aspects of your life plan, but you must communicate the location of your information to your key players. Your attorney must know your wishes to prepare your legal documents, which will give your key players the authority to act on your behalf. Communication is the way to ensure that your wishes are carried out during your lifetime and after your death. Being prepared and the extra effort in communication and planning make a difference.

CONTACT US

In Massachusetts contact: Erin Cooper, 617-503-5285, erin.cooper@cambridgetrust.com
or Edward Fitzgerald, 617-441-1484, edward.fitzgerald@cambridgetrust.com
or William Yates, 617-503-4041, william.yates@cambridgetrust.com

In New Hampshire contact: Susan Martore-Baker, 603-369-5101, susan.martore-baker@cambridgetrust.com

For more Thought Series articles and podcasts, visit, www.cambridgetrust.com/thoughtseries