ESTATE PLANNING

FOR NEW PARENTS

Golightly Law

Disclosures

The following constitutes the educational information and should not be regarded as personalized investment or legal advice. Rather, it is intended to illustrate general estate planning strategies.

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Introduction

Congratulations on the newest addition to your family!

We know this is an exciting time for your family and understand how important it is to safeguard your family's future security. In this guide, you'll learn some basic estate planning principles that you can use in creating an estate plan. You have a lot on your plate as a new parent, and we want to provide some easy next steps you can follow to put a plan in place for you and your children. We are excited to support you on this journey to secure peace of mind for your growing family.

Wills, Guardians, Trustees, and Executors

In this chapter, we'll delve into foundational estate planning concepts you will want to consider as new parents. We'll discuss the importance of wills, selecting guardians for your child, naming trustees for your estate, and the significance of choosing the right executor.

WILLS

A will is a vital document that outlines your wishes regarding the distribution of your assets after your passing. A will ensures your estate is managed according to your desires, providing clarity and peace of mind for your loved ones. In your will, you will name a guardian of your minor children, explain how you would like the assets in your estate to be distributed, specify whether you want to use a trust for your child's inheritance, and help prevent any potential family conflicts that might arise if you didn't have a will. In essence, a will is a fundamental tool in estate planning for new parents, offering essential protections and ensuring that your child's future is safeguarded in the event of the unexpected.

GUARDIANSHIP

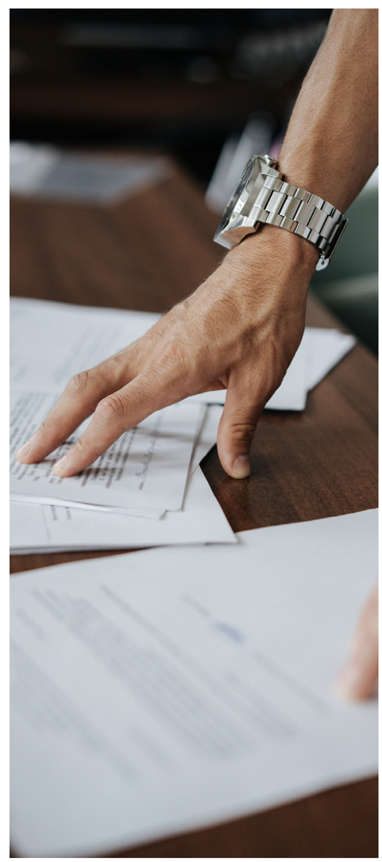
Selecting a guardian for your minor child is one of the most critical decisions you'll make as you set up your estate plan. A will allows you to designate a legal guardian for your child in the event of your passing. Without a will, the court will decide who will care for the child, which may not align with your wishes. By specifying a guardian in your will, you will ensure that your child will be cared for by someone you trust and who shares your values and beliefs.

EXECUTORS

An Executor is responsible for administering your estate according to your will. The Executor will gather and inventory the estate assets. This includes real estate, personal property, investments, and any other belongings. The Executor plays an important role in protecting your children's inheritance. After the debts and expenses of the estate have been paid, the Executor oversees the distribution of assets to the beneficiaries according to the will. After you name your children as beneficiaries in your will, the Executor is responsible for ensuring that your children receive their rightful share of the estate in a timely manner. If the children are minors at the time the will is executed, the Executor may establish trusts or custodial accounts to hold and manage the children's inheritance until they reach adulthood or a specified age that you choose.

TRUSTEES

Naming a Trustee is essential if you are considering establishing a trust for your child or children. We'll explain trusts more in depth in chapter three of this guide, but as you think about creating your will and whether you'll also establish a trust, you'll want to think about who you might want to name as a trustee. Often, the Guardian and the Trustee may be ths same person. If you've chosen different people for those roles, Trustee's work closely with the guardian to ensure that the children's needs are being met and that the guardian has the necessary resources to provide for your children. The trustee may also oversee the guardian's management of day-to-day expenses and the trustee is legally required to make financial decisions for the children's benefit. Trustees are obligated to treat all beneficiaries of the trust fairly and impartially. This includes ensuring that each child receives their designated share of the trust assets, and that no favoritism or discrimination occurs in the distribution of benefits.



CHECKLIST FOR NEW PARENTS:

◇ Contact an estate planning attorney

◇ Draft a will

◇ Consider starting a trust

◇ Choose a guardian for your child

◇ Choose a trustee

◇ Update beneficiaries on your retirement accounts and life insurance

Living Trusts

Living trusts are valuable tools in estate planning that offer flexibility and control over the distribution of assets. One of the primary benefits of a living trust is that it allows assets to bypass the probate process. Probate involves the formal qualification of the executor named in the will and a court-supervised audit of the executor's activities. Probate can be time-consuming, expensive, and public, potentially delaying the distribution of assets to minor children. With a living trust, assets can be transferred directly to the trust beneficiaries without going through probate, ensuring a smoother and more efficient transfer of wealth. The trustee is usually someone that you know will handle financial matters responsibly and who will protect the best interests of your children.

With a living trust, you can specify how and when trust assets are distributed to your children. For example, parents may choose to stagger distributions over time or upon reaching certain milestones, such as graduating from college or reaching a certain age. This allows you to exert greater control over how your children receive their inheritance and ensures that it is used wisely and responsibly.

Living trusts offer flexibility in terms of asset management and distribution. You can amend or revoke the trust during your lifetime if your circumstances or wishes change. You can also appoint successor trustees to take over management of the trust if the original trustee is unable to fulfill their duties. This flexibility ensures that the trust can adapt to changing circumstances and continue to protect the interests of the children. In the event that both parents pass away, a living trust can provide continuity of management for the children's assets. The trustee appointed by you can continue to manage the trust assets without interruption, ensuring that the children's financial needs are met and their inheritance is protected until they reach adulthood or a specified age.

THREE DIFFERENT TRUSTS TO CONSIDER

- A revocable living trust can be changed whenever you want. During your lifetime you are the trustee, and the property is yours. When you die, your chosen successor trustee will distribute the assets according to your wishes.
- An irrevocable trust cannot be changed once you sign it. Irrevocable trusts are typically used to provide some asset protection and/or estate tax savings.
- A testamentary trust is created within a will and becomes active upon the death of the person creating the will (the testator). By placing assets in a testamentary trust, the testator can ensure that assets are managed for the benefit of their children, and that assets are protected from creditors, lawsuits, and irresponsible spending.

Power of Attorney Documents

A power of attorney document grants authority to a designated individual (the agent or attorney-in-fact) to make legal and financial decisions on your behalf if you become incapacitated or unable to make financial decisions yourself.

- A **financial power of attorney** allows you to designate an agent to make decisions and act on your behalf regarding your finances and property.

- A **health care power of attorney (also called an advance medical directive)** gives your agent permission to make decisions about your health care if you are not able to make those decisions yourself. A "living will" is sometimes combined with a medical power of attorney and provides specific end-of-life instructions.

Life Insurance

Life insurance is another important estate planning tool to use to protect your children. You will want to consider purchasing life insurance and naming your children (or their trusts if they are young) as beneficiaries to provide financial security and stability in the event of your passing. Life insurance serves as a safety net, ensuring that funds are available to cover immediate expenses, such as mortgage payments, childcare, education costs, and other essential needs. By naming your children (or their trusts) as beneficiaries, you can guarantee that the insurance proceeds are specifically designated for your children's welfare, ensuring that they are provided for financially and can maintain their quality of life despite the loss of parental support.

Next Steps

Congratulations once again on your growing family! We hope this guide has equipped you with the knowledge and tools you need to embark on your estate planning journey as new parents. As you navigate parenthood, remember that the Golightly Law Firm is here to assist you with any estate planning questions or concerns. Feel free to reach out to us at:

Golightly Law Firm

Phone: (804) 658-3873

Website: www.golightlylaw.com

Email: scott@golightlylaw.com