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How to Prepare, Just in Case You Die Young

Nobody wants to imagine it. But you can disaster-proof your affairs with this checklist.

By Chana R. Schoenberger

Few estate plans consider the possibility of an early death. That is a potentially disastrous mistake, experts say.

By the time you're in your 40s, you likely know someone, or know of someone, who has died young. That is why it is important for people to draw up plans as soon as possible, including accounting for what will happen should death occur in middle age, with children still at home.

We spoke with estate-planning lawyers to ask what end-of-life documents and estate plans a 30- or 40-something would need to assemble (aside from tax-planning help, for which an accountant or tax lawyer should be enlisted). All recommended getting started right away with this checklist:

INSURANCE

Life insurance can be expensive, but it ensures that if a spouse should die young, his or her partner can stop working or downshift careers to take care of the children. People often buy life insurance for themselves when their children are born, so the surviving spouse won't have to worry about having money for tuition or the costs of raising children as a single parent.

"It's best if you can buy guaranteed renewable term insurance when you're still insurable and have no underwriting risks, while you're still relatively young and before you have any diagnoses," says Joe McDonald, an estate-planning lawyer at McDonald & Kanyuk in Concord, N.H.

It's also advisable to buy long-term-care insurance, though it is becoming more expensive as policyholders live longer. Many employers also offer

disability insurance to replace a certain percentage of salary if the employee becomes incapacitated, says Joshua Kaplan, an estate-planning lawyer at the law firm Dechert in New York.

WILL

Everyone needs a will. Without one, depending on the state of residence, it could take weeks or months for an estate to make its way through probate court until a judge appoints an executor to wind down the deceased's financial affairs. During that time, heirs may not be able to access the money left to them or even write checks to pay their bills.

Often state rules say that every person named in a will as the recipient of property needs to receive written notice that the will is in probate.

"It's often simpler to leave everything to one person or a class of person, like your children, and then have them distribute," says Mr. Kaplan. His grandmother did this, leaving everything equally to his aunt and father, with a letter explaining which relatives should also get certain items.

Once the will has been made and signed properly, where should it be kept? Somewhere safe, where the family can find it, such as with a lawyer. But be sure to tell someone in the family where it is.

"Don't leave it in your safe-deposit box unless someone is the second signer, or you won't be able to get to it," says Sharon Bilar, an estate lawyer who has a practice in New York.

BENEFICIARIES

When you set up a bank account or any financial account, you're typically asked to name a beneficiary to inherit it if you die. Such an account will pass

directly to that person without going through probate, so make sure your beneficiary designations are up-to-date. You may have designated your siblings when you started working and set up your 401(k), for instance, but now you're married and want to designate your spouse.

You also need a secondary beneficiary, in case something happens to your first choice (suppose, for example, that you and your spouse are in a car crash together). A trust can be a beneficiary as well. If there isn't a space on account-opening forms for a secondary beneficiary, call the financial institution and request to add this person.

Generally, your children will be your secondary beneficiaries, after your spouse. Be careful of designating as secondary beneficiary an adult whom you would like to take care of your children, Ms. Bilar says.

"If you make anyone the beneficiary who's not your child, that money legally belongs to the beneficiary, and you cannot force that person to spend the money on your child," she says.

POWERS OF ATTORNEY and PROXIES

"If you're worried about passing suddenly or becoming suddenly incapacitated, the legal documents you should have are some sort of health-care advance directive and a living will," Mr. Kaplan says. A health-care proxy appoints one person, older than age 18, to act on your behalf when making medical decisions. If you don't have this document signed and something happens to you, your spouse will have the right to make these decisions for you, followed by your adult children and your parents. Make sure to designate a

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first- and second-choice person to be your proxy, Mr. Kaplan says.

You'll also want to sign a living will, which lays out your intentions for end-of-life care, such as when to withhold treatment if doctors determine you're not going to recover, and whether you wish to be an organ donor. This is important if you are in an accident or otherwise become incapacitated. Because wishes often are driven by religious and other personal moral concerns, it is important for couples to discuss their own preferences, Mr. Kaplan says.

GUARDIANSHIP

When there are children under 18, the most important step in estate planning is to decide who should raise them if both spouses are gone. This preference goes into your will, where a judge will almost always honor it when deciding

whom to appoint as guardian. If you don't have this designation in writing, you're leaving it up to the court to decide who will take care of your children. "It's best if spouses both name the same people in the same order" when they choose a guardian for minor children, Mr. Kaplan says.

The guardian you select for your child doesn't have to be the trustee of any trust you set up for your child—although it is easier if they agree on how to spend the money to benefit the child.

"Some people want the trustee to put the brakes on the guardian spending money for the child, to act as a check and balance," says Mindy Stern, an estate lawyer at Schwartz Sladkus Reich Greenberg Atlas in New York.

DOCUMENTS

Every additional piece of information

survivors have about the deceased's affairs can make the hours and days after a person dies easier. Survivors should have access to a file that contains insurance information; a list of all your bank and financial-institution accounts, "529" college-savings accounts and retirement accounts, with beneficiary information; a list of all your credit cards, as well as any household expenses that are set on auto-pay; and details on where to find the deed to the house and the cemetery plot, plus the key to the safe-deposit box.

Also keep a list of online accounts and their passwords, as well as information on airline frequent-flier miles, and the credentials to any cryptocurrency wallets you hold, Ms. Bilar says.

Ms. Schoenberger is a writer in New York.

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