Making the Right Choices With Your Wealth

Do you know that there are generally three choices that we can make to dispose of the wealth that we create and accumulate? **1)** We can give it to our children and other family members and friends; **2)** We can give it to our favorite charities; or **3)** we can give it to the government. Some combination of two or more of these choices is also possible.

You might be thinking, however, that there is a fourth choice that wasn't mentioned, and that is to keep it all and spend it on ourselves. That last choice typically is an unlikely choice for most of us because it applies primarily to those who have no family (or none that they choose to provide for) and have no interest in giving away their wealth to charity. In that situation, the government may still take away some of that wealth through income and estate taxes so the third option may be the unintended result. In our experience, that fourth choice is rarely seriously considered even though people may try. Nevertheless, even trying requires planning because you don't want to outlive your money. And you want to pay as little in income and estate taxes as possible.

Accordingly, everyone should have a financial plan that includes considerations for cash flow, budgeting, charitable intentions, legacy and estate planning goals, and taxes.

1. Children and Family Members: If the intent is to pass your wealth to children, family members and perhaps friends, a financial plan is important to ensure that you have enough to live out your life while helping family members and friends. Lifetime gifts to your heirs should also be considered. Combining that with an estate plan will help ensure that whatever wealth remains goes to the people that you want. Thus, a foundational estate plan is helpful for everyone. That includes a Last Will and Testament ("Will"), Financial Power of Attorney, Healthcare Proxy and Living Will. It also includes life insurance, disability income insurance, health insurance and long-term care insurance to protect against erosion of wealth from unforeseen and catastrophic events. For those with more net worth, complex estates, or estate tax issues, other estate planning strategies may be required such as Revocable Living Trusts, Irrevocable Life Insurance Trusts, Grantor Retained Trusts, Spousal Lifetime Access Trusts, Dynasty Trusts, and more! Failing to plan can leave children and other family members receiving less than intended.

Regardless of your specific goals and objectives, you should start with the foundational estate planning documents that an attorney will draft for you. Your Security Mutual Life insurance advisor can help you get started by working with your tax and legal advisors to create the estate and insurance plan that best fits your needs, goals and objectives.

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2. Charity: The timing of charitable contributions will be important because you don't want to give away too much while you are alive, to ensure that you still have enough to live out your life. Leaving assets to charity at death also requires planning. A financial plan can help to determine how much you can afford to give to charity today, while an estate plan can help to distribute the remainder of your estate, when you're gone, to your favorite charities, while meeting other goals and objectives. During your lifetime and even at death, charitable contributions can take many forms, the simplest being direct gifts of cash or other assets. More complex strategies may also be advised, depending upon wealth, charitable intent, tax impact, cash flow needs, and the type of assets to be given. Such strategies may include Donor Advised Funds, Charitable Gift Annuities, Charitable Remainder Trusts, Charitable Lead Trusts, Private Foundations and more. Again, your Security Mutual Life insurance advisor is positioned to help you by working with your tax and legal advisors to create the financial and estate plan that best fits your charitable intentions.

3. Government: While doing nothing seems to fulfill the goal of leaving your wealth to the government, realistically, that's not true. For example, suppose you don't bother to do any planning nor implement the foundational estate planning documents mentioned above. In that situation, state law will dictate who will get your assets in the absence of a Will. Those laws will typically direct assets to various family members, depending upon who survives you and the degree of familial relationship. That may not be what you intended. To disinherit all family members requires a Will. Even with a Will, if you're married, you may not be able to disinherit a spouse because of state laws. So again, a sound financial plan is required to ensure that you don't outlive your money, and your intentions are met to leave everything to the government.

4. Spend it All: Finally, spending it all seems like an event that requires no planning. But today, given advances in medicine and nutrition, environmental and social factors, and other considerations, people are living longer. The last thing you would want is to outlive the assets and resources that you have. While the government provides some social assistance programs, more likely than not, those programs will not provide for the lifestyle that you want or intended when you planned on spending it all. Spending your last dollar while taking your last breath may be your goal but understand a financial strategy can help to make that happen. Through proper planning that considers Social Security benefits, pension or 401k benefits and the use of annuities, it may be possible to spend it all and not outlive your assets. Your Security Mutual Life insurance advisor can help you plan for this outcome.

Conclusion

As you can now tell, regardless of what you want to do with your wealth: a) giving it to family members and friends; b) giving it to charity; c) leaving it to the government; d) spending it all before you pass away; or e) some combination of the above, you need to plan for your intended outcome. Doing nothing is not going to work. Accordingly, you should consult and work with your Security Mutual Life insurance advisor who can help to guide you.

For More Information Contact:

Contact your SML insurance advisor today to get the process started. Your advisor will assemble your team and coordinate with your attorney and tax professional to review your situation and to determine the financial plan that will yield the results you want and intend.

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