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The Risks Of Living Without An Estate Plan

People make the mistake of not recognizing the severity of failing to make an estate plan. They either convince themselves that an estate plan is not necessary—which is likely a result of not fully understanding what an estate plan is, or they delay creating one due to the emotional difficulty surrounding it.

By changing our point of view, we will quickly see that the benefits of establishing a comprehensive estate plan significantly outweigh the dangers of not having one. Imagine having someone else make all the biggest decisions of your life for you without you having any say. Sadly, the risk of becoming incapacitated rises as we age, significantly.

If this does happen, who will be responsible for all your financial and medical decisions? An estate plan gives you the most control you can have in scenarios where you would have zero input otherwise.

Let's go over specific instances where estate planning can help you avoid potentially catastrophic scenarios for you and your family.

Common Estate Planning Traps

You might have fallen prey to one of these already. In this section, we are going to highlight common misconceptions and beliefs about why you don't need an estate plan. Perhaps you are trying to convince your parents to create one. Regardless of whether you or others are still on the fence about whether to create an estate plan, it helps to recognize what has held you back. Here are some of those reasons:

- I have the rest of my life to create one.
- I am not wealthy, and I don't need one.
- My spouse and/or kids can handle it for me.

If any of these have registered with you, we will take the time to go over why they are untrue as well as the consequences of continuing to hold onto these beliefs.

Procrastinating

Young people will put off estate planning because they're busy with their families, their jobs, buying their first home. When they prioritize the things they need to handle or manage, estate planning doesn't get much consideration. However, all the things they are doing to build a life are the exact reasons why they should have an estate plan.

The frightening reality is that young people die too. This is a prime reason why estate planning is for any adult of any age. If you have anyone in your life that you love, you are creating your estate for them as much as you are yourself. They will be left managing your estate in your absence.

Not Enough Assets

This is an easy continuation of the last situation. Not only do people think they are too young to have an estate plan, but they simply think the assets they have don't warrant an estate plan. Odds are, these are the people in the early stages of their career. They have a small amount of money, a car, and perhaps a house.

An estate plan covers more than just assets. Not only are young people capable of dying—as mentioned above—but they can become incapacitated. You can decide now when you are able, who will be your durable power of attorney for financial matters, and who will be your durable power of attorney for health care.

When you assign a power of attorney, it allows someone to make financial decisions on your behalf. They can pay your bills and even buy a house in your name. A service member in the military might ask someone close to them if they are willing to have power of attorney while they are deployed overseas. **If a power of attorney is durable**, it remains in effect if you are incapacitated. Without one, you have essentially given up your ability to speak for yourself.

Secondly, your estate is not nearly as small as you might think it is. Your financial footprint is likely large and somewhat complex. Even if you are single and don't own a house, all of your property will need to be distributed. Your debts you have on your car, your student loans, and your credit card will be passed on to someone else. And those people will be your parents if they are still living. If they aren't, this gets passed to siblings and even nieces or nephews. Half of it goes to your maternal family, and the other half goes to your paternal family.

The above example of a single person with no property was chosen for a reason. How much more dire and complex does your situation get if you have a house (and a mortgage), a child, a spouse, and debt? The consequences of leaving this to those that survive you bring us to the next section.

Your Spouse & Children

Another common misconception, and one that could lead to problems, is assuming that you don't need an estate plan because your property and assets will be easily handed off. If you have a spouse and one child, then everything in your life—money, property, and debts—will go to them.

Two issues can result due to this mentality. The first is that you have not accounted for the scenario that your spouse didn't survive you. So you answered who will get your estate (your wife and child), but you did not consider how your estate would get passed down. This becomes even more complicated when your child, a minor, survives both you and your spouse.

As part of your estate plan, you and your spouse need to determine who will be the guardian of your child if neither of you can do so. Do your family and your spouse's family get along? Will they fight for custody in the absence of an established guardian? Should this happen, your child will have to endure losing both of his/her parents, and besides, he or she will be in the middle of a long, contested battle that will likely be resolved in court.

Lastly, you haven't decided on how your child will receive the inheritance. The chosen guardian can handle the financial aspects regarding your child and any money they will receive, or it could be someone else entirely.

You Have Every Reason To Start An Estate Plan

In this resource, we have highlighted some of the reasons why people avoid creating estate plans, and then we have gone over the dangers of believing in them. The benefits, the peace of mind that comes with knowing that a professional attorney has drafted documents ensuring that some of the aforementioned things don't happen to your family.

If it is a cost that you are still struggling to accept, talk to an attorney and ask how much you can expect to spend on creating a will or a living trust. Then do a quick search to see how much your family could pay if they go through probate—or worse, a custody battle. This is for the people you love, and you'll rest easier knowing that you did what you could to protect them.