

When is it time to update your estate plan?

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An estate plan is generally thought of as a collection of legal documents that provides instructions for how one's property is distributed upon death. Because it is implied that the documents are supposed to outlive the deceased, many people wrongly assume that they just need to create a set of documents one time and not review them again.

It is not uncommon for people to go ten years or longer without reviewing their plan. Therefore, at the bare minimum, an estate plan should be reviewed and if applicable, updated, after major life events. Estate planning documents should be reviewed every few years under all circumstances to make sure the documents still reflect constantly changing events and wishes.

One of the most obvious times to review your estate plan is if there is a change in your marital status. Laws for how marital assets are treated vary by state, so it is important to affirmatively establish a plan to avoid the imposition of unwanted laws that may take effect in the absence of a documented plan. The addition of children into a family through birth, adoption or marriage is also an ideal time to update an estate plan.

It is also important to update a plan following the death of any involved party. It is an unfortunate reality that heirs may predecease the planner. In those circumstances, an estate plan should be updated to either remove the beneficiary or to provide for alternate recipients of the property.

If there has been a major change in wealth or income level, it may be time to update documents. Should a person suddenly become blessed with a windfall of cash through business or inheritance, he/she may wish to allocate a portion of the newfound wealth to charitable endeavors as well as to family members or other individuals and causes. Also, with new wealth comes new tax and legal complexities, which also makes estate planning important.

Any changes in the health status of the planner, executor, or beneficiaries are also triggers for an estate planning review. An executor who is ill may no longer be able to perform the necessary duties. Meanwhile, a planner may want to amend documents to better provide for a sick beneficiary. And, of course, if the planner is sick, he/she will want to review the plan to make sure medical and financial directives are still accurate.

Finally, any time there is a new document added to an estate plan — often when there are medical needs — people should review the complete set of estate planning documents to make sure they complement one another. Failure to do so could result in legal ambiguities at an inopportune time.

There are other changes in life that could warrant revisiting estate planning documents. For more information, contact your Anchin relationship partner.