

PNC CENTER FOR FINANCIAL INSIGHT

The PNC Center for Financial InsightSM builds bridges from thought to action, creating practical, applicable strategies to help benefit you and your family.

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Keeping Fit: A Financial Wellness Checklist

Fall is back-to-school time, making it an ideal time to catch up on financial wellness homework.

From the jingles of the back-to-school ads to the changing colors of the leaves, fall marks a time when the day-to-day pace picks up. The fall is also a good time to check your financial wellness.

As a first step, we recommend an inventory of your financial documents using the checklist below. Many details in your financial plan can become obsolete, forgotten, or ignored, making it important to review your plans so they reflect your current status and wishes. The checklist shows some documents you might easily assess on your own.

Basic Documents

There are four fundamental building blocks we believe should be included in most financial plans.

- **A will** gives you the assurance that whatever assets you personally possess at the end of your life will be distributed to the people or organizations you intend to receive such assets. Without a will, your assets will be subject to your state's intestacy laws, which may dictate your assets be distributed differently from how you wish.
- **An advance medical directive** places someone you trust in a position to make important, intensely personal medical decisions on your behalf.
- **A durable power of attorney** allows another person to manage most or all of your

nonmedical affairs during a period of incapacity.

- **A revocable trust** may better address certain challenges by pairing with the durable power of attorney. It can help simplify your financial affairs, providing additional protection in the event of incapacity, and perhaps reducing estate settlement costs.

Action Item: If you do not have all of the above documents, we recommend you meet with your advisor to determine if you should create them.

Family Circumstances

Families change and evolve and so, too, should your documents. One common pitfall is when documents are not updated to reflect the current state of a family. When you think about changes that have occurred in your family, be careful to include any family member who could have an impact on your wealth plan, such as yourself, your children, grandchildren, parents, and grandparents. Some common events include the following:

- marriage or divorce;
- birth, adoption, or death;
- accident or illness that has changed someone's physical or emotional circumstances or capacity to manage one's financial affairs or wealth for the long term;
- a dramatic change in financial wherewithal of a family member;

We believe it is important to understand not only what your financial documents say but also why they say what they do.

- a change in citizenship or legal place of domicile; or
- other life events that may be profound.

Action Item: If a change has occurred in your family since a document was written, you will need to alert your advisor of the change and work on an update.

Your Beneficiaries

Because how assets pass at death is often misunderstood, it's important that you check your beneficiary designations to confirm they are as you intend. There are a number of common mistakes. For example, many young people who participate in a company retirement plan may name their mother as the plan's beneficiary and not update it to reflect that they have married, had children, or that their mother has passed. Married couples often name their spouse as beneficiary of a life insurance policy but forget to change the beneficiary designation after divorce or remarriage.

Many people believe their will governs the distribution of all their resources, but it does not. Your will distributes the assets you personally own in your sole name which do not have their

own beneficiary designation. Some assets may pass to persons different from those you name in your will.

Action Item: Check your beneficiary designations for retirement plans, life insurance, and any other resources that pass by any form of contract. If amendments need to be made, contact your advisors to see they are properly changed.

Understanding Wills and Trusts

Many people have created complex plans in their documents that determine the distribution of their assets over time. Some of the choices involved are personal ones while others may be driven by tax considerations. No matter the genesis of the details, plans likely involve at least a few trade-offs or compromises.

Being the beneficiary of a trust or of multiple trusts requires that you really understand its terms and your interests in the trust, both now and in the future. For example, you may enjoy the income from a trust today, receiving regular distributions that you use to help support a certain standard of living for you and your family. When you die, do you know if

Example

The Assets: Margaret owns a car, and her name is the only name on the title. She also owns a house jointly with right of survivorship with her second husband, Peter. In addition, she has an individual retirement account (IRA).

The Objective: Margaret wants all her assets to go to her children when she dies because her husband has sufficient resources of his own. Her will says, in effect, "I leave everything to my children in equal shares."

The Outcome: When Margaret dies, survived by Peter, her children each get an equal share of her car and nothing else. This is because the house is not subject to the terms of her will. By law it passes to her husband as the joint owner with survivorship rights. Nor do her children get the IRA because it does not pass under the terms of her will. It is distributed in accordance with a beneficiary designation, and Margaret forgot that she long ago named Peter as the primary beneficiary and her children as only contingent beneficiaries should Peter not survive her.

your surviving spouse or children will continue to receive those payments? The answer could have a profound effect on other financial planning choices.

Action Item: We believe it is important to understand not only what your financial documents say but also why they say what they do.

Your advisors can help you map out the provisions of your will and any trust(s) and compare them with the beneficiary designations of any retirement plans, life insurance, and any other resources that might pass by any form of contract. Compare the results to confirm that, in total, they accomplish what you want.

For more information, please contact your Hawthorn advisor.

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