A Will Is Not Enough

YOUR MONEY MATTERS

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If you got hit by a truck tomorrow, would your family or friends be prepared to handle your financial matters?

Probably not. Getting a will is as far as most people go when preparing for the inevitable. But other steps are just as crucial-and usually overlooked.

Family members need to know where your assets are-bank accounts, pensions, retirement accounts and insurance-and how to dispose of them. Surviving spouses may need to know whether there is enough money to pay the mortgage and other expenses.

Planning ahead can help ensure that your decisions are carried out, protect your family from stupid or unscrupulous advisers during a vulnerable time and save thousands of dollars in legal and funeral costs.

"It's a horrible time, but it can be made so much easier." says Judith Needham, an attorney with Ayco Corp., a financial counseling unit of American Express Co.

Lawyers, financial counselors and company benefits specialists say that doing the following will help survivors:

WRITE EMERGENCY INSTRUCTIONS: This might include who has spare keys to the house and car and who will take care of the kids short term.

Give copies of your will, powers of attorney, and a birth certificate to at least two people-one of whom does not live with you. Do not put these documents in your safe-deposit box, since it is sealed at death and can take weeks to get at.

Remind your survivors to call your boss so he can notify benefits department to get paper work started.

LIST YOUR ASSETS: Do an inventory of bank accounts, Individual Retirement Accounts, retirement and profit-sharing plans at work, brokerage accounts and mutual funds. Estimate amounts and list the location of each. Don't overlook pensions from prior jobs.

UPDATE BENEFICIARIES: Review whom you have names as beneficiaries of all your accounts. Money in accounts with designated beneficiaries passes directly to them, without going through court probate proceedings, which can take months or years and cost money.

A surprising number of people forget whom they listed as beneficiaries, especially if they opened the accounts years before, says Ms. Needham. You may want to update who gets the money, deleting a deceased relative or ex-spouse, for example, or adding a new child. If you don't remember whom you named as beneficiaries, call the financial institution where the account is located.

ESTIMATE WHAT SURVIVORS WILL NEED: In the first few weeks, survivors may need cash for an attorney, child care, burial costs or the mortgage.

But cash flow may dry up quickly. When an employee dies, his salary ceases. Though joint bank accounts are not frozen in most states (ask your bank what the policy is), they may not contain enough for short term expenses. Insurance and retirement money may not be available for several weeks. The exception: Group life insurance provided by your employer might be paid within days; this is usually one to two times your annual salary. Ask your company's benefits office.

If it looks as though survivors will need more money, a couple can choose to keep higher amounts in joint accounts that won't be frozen at death. Survivors also can tap their own sources for emergency short term borrowing, including insurance and retirement accounts of the surviving spouse.

Longer term, a family need to assess whether it will be able to pay debts, taxes, tuition, health insurance and mortgage or rent without the lost paycheck. If survivors won't have enough money, consider getting more life insurance. An expensive way to increase coverage: Many companies allow employees to buy four to five times their salary at low group rates without passing a medical exam.

PROVIDE INVESTMENT ADVICE: Help survivors by suggesting where they might invest money from your insurance, retirement accounts and other sources. Whether the amount is great or small, survivors will be besieged by brokers and insurance agents selling annuities and mutual funds.

At the very least, provide your survivors with a phone number for a money market fund. And remind them that they don't have to make any further decision for some time.

The exception: If a spouse receives money from 401(k), profit sharing and other retirement saving plans, he or she can defer taxes on the money only if it is rolled into a IRA or other tax-deferred vehicle within 60 days. (Beneficiaries other than spouses can't defer taxes on the money.)

GIVE BURIAL INSTRUCTIONS: This can save survivors thousands of dollars. Tell family or friends how elaborate or simple a funeral you want and whether the service should be religious or secular. In most states, written burial instructions must be carried out, says Jake Warner, an attorney and publisher of legal self help books.

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