

Why you need to update your will

Your first \$5 million -- or more -- is exempt from federal tax. But there are still many reasons to review your estate plan.

You may not have to worry about estate taxes anymore. But you still need to pay attention to what might happen to yourself, your stuff and your loved ones at the end of your life.

Congress this year dramatically reduced the number of people subject to so-called "death taxes." The "fiscal-cliff" deal that lawmakers reached permanently boosted the estate-tax exemption to more than \$5 million and linked it to inflation. That means only about two estates in 1,000 will face federal estate taxes, according to the Tax Policy Center.

The fiscal-cliff deal contained other changes that could affect your estate plans, however. And if you don't *have* any estate plans, consider that a little work on your part can ensure you don't leave a mess behind.

Here are seven things you should consider doing now:

Review your old documents. Most Americans don't have a will or living trust. (A living trust takes the place of a will and allows your estate to bypass probate court.)

If you do have a will or living trust, you should check to see if it includes a bypass trust, also known as a credit shelter or A-B trust. In the past, these trusts were often recommended for married couples.

Because of changes in federal estate-tax law, many couples may no longer need these trusts. Not only is the estate-tax exemption now far greater than most people's estates, but spouses have the option of "portability," which means any part of the estate-tax exemption that's not used by the first spouse can be added to the surviving spouse's exemption limit. For example, if Jamal dies and leaves everything to his wife, Juana, she also could inherit his exemption limit -- which this year is \$5.25 million -- and add it to her own.

"Married couples can now shelter \$10.5 million from estate taxes by doing nothing more than leaving (their estates) to their spouses in a will"

Keeping trust language in your estate plans could cause problems. Too much money could inadvertently be locked up in the trust, or your heirs could face administrative hassles and even higher taxes.

There are still some reasons why you might want a bypass trust, such as to make sure your kids inherit in a blended-family situation or to deal with state exemptions that are lower than the federal limit. You should check with an attorney to see if it's still necessary.

Adapt your plans to your changing life. It's a good idea to review your estate plans annually and consider updating them if you've experienced any major life changes, including:

- Marriage
- Divorce
- Birth or adoption of a child
- Child turning 18
- Death of anyone named in the document
- Moving to a new state
- Big increases or decreases in the value of your estate

Name a guardian for your kids. Your state has laws that determine who gets what if you die without a will. Those laws pertain to assets, though, not people. If you don't name a guardian to take care of your minor children, they could become the focus of a court battle if your relatives can't agree or even wind up in the foster-care system. Don't try to determine the "perfect" person to look after your kids — that's too high a standard. Look for someone who shares your values, loves your kids and is willing and able to take on this job. (Make sure to ask this person first.) Name one person rather than a couple, in case the couple breaks up or one member dies, and consider one or two backup choices as well.

Set up your powers of attorney. These documents allow someone you designate to handle your financial affairs and make health-care decisions for you if you're incapacitated and can't do so yourself. You'll probably also want to draft a living will, which advises doctors and your family what kind of care you do and don't want at the end of your life.

Decide what to do with your digital assets. Your music files, e-books, photos and other digital assets have value -- financial, sentimental or both. Consumers polled by Internet security firm McAfee [valued their digital assets at about \\$55,000](#) on average. You can designate who will inherit these assets in your estate planning documents. In addition, you'll want to round up a list of your login IDs and password information and decide who will get those. Your decision-maker or executor may need login information for your financial accounts, for example, while you may want a family member to curate or close your social media, email and blog accounts.

Review your beneficiaries. When you opened your retirement accounts or obtained life insurance, you named beneficiaries to get the proceeds when you die. You should check to make sure those are still the people you want to inherit. If you've gotten married since then, for example, you'll likely want to add your spouse as beneficiary. Otherwise, the proceeds typically will go to whomever you originally named -- even if it's your ex.

Decide who gets what. Lifelong rifts can tear families apart because someone wasn't clear about who inherits the cuckoo clock. No joke -- ask around and you'll hear plenty of stories about huge fights erupting over the stuff someone left behind.

Rather than leave your heirs to play tug-of-war, detail how you want your possessions and other assets divided. Review your documents annually so you can add any newly acquired valuables and eliminate any you no longer own.

"It's a lot better to make your decisions now and avoid the fighting later on," Rampenthal says.
"I'd rather have someone be mad at me after I'm gone than have them mad at other people."

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