

# Lesson from Coronavirus... Don't Procrastinate in Planning!

Published on March 18, 2020



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COVID-19 initially seemed like a virus that only existed in other countries. It couldn't possibly spread to our own backyard in the United States, could it? We now know the answer to that question, as is evident when walking through supermarkets in search of daily essentials like toilet paper, tissues and cleaning supplies. Empty supermarket shelves can be seen as a sign of hoarding and panic. In reality, it is a sign that American citizens are bracing for the worst as they undoubtedly hope for the best. In a word, they are "planning".

Stocking up on enough toilet paper to last a lifetime should not be the only method of planning one undertakes. This Coronavirus scare provides a stark reminder that family protection plans must be in place and up to date as well. This is a very serious time requiring serious action, and the hope is that social distancing will help limit the deadly effects of the virus. Coronavirus has created a worldwide uneasiness and concern for our circles of friends, neighbors and loved ones. This uneasiness and concern should drive every client to clearly see the need for planning. This planning, in addition to stocking up on essential items, also includes critical protection for families upon one's incapacity or death, including updated estate planning documents and life insurance coverage. A short description of each of these vital protection tools is provided below.

**Wills** - Provide specific instructions regarding the distribution of assets upon the death of the individual who created the document, the testator. In short, the document states who gets what upon the testator's death. The document also indicates *how* the assets are received by the beneficiaries named in the will. For example, a minor child's inheritance is likely to be held in trust for the minor's benefit until a specific age at which time the assets are distributed outright to the child.

**Revocable Trusts** - Also provide specific instructions regarding distribution of assets upon the death of the individual who created the trust document, the grantor. The grantor serves as the creator of the trust as well as the trustee and lifetime beneficiary. The grantor retains full control of the trust and its assets during lifetime and names a successor trustee to step in to manage trust assets in the event of his/her

incapacity or death. Assets that pass to beneficiaries through a revocable trust upon the grantor's death generally are not required to pass through the probate process, which can be very costly and time consuming.

**Durable Powers of Attorney** – Allow the individual creating the document, the principal, to appoint a trusted individual to manage their financial and legal affairs if they become incapacitated. This entails paying monthly bills, selling or purchasing assets, filing income tax returns, working with the Social Security Administration, etc.

**Health Care Powers of Attorney** – Allow the individual creating the document, the principal, to appoint a trusted individual to make medical decisions for them if they become incapacitated. These documents can grant a wide range of powers to the agent appointed, including arranging for daily care, hiring and firing medical personnel, consenting to a course of treatment or surgical procedures, and withdrawing life support or artificial hydration and nutrition.

**Life Insurance Protection** – Life insurance is an essential part of every family's protection plan to ensure surviving family can maintain the same standard of living in the event their loved one passed away. This need is especially critical when the family relies on the income of the loved one and would not have sufficient resources if that income was no longer being received. The proper amount of coverage and how long it should remain in place can be calculated through a simple needs analysis. An updated analysis should be performed every two to three years to address changing family and financial circumstances.

While it's important to have these important planning tools in place, it's also important for others to know the whereabouts of all documents. It is generally suggested that family members and/or the individuals who are appointed to make decisions within the documents are provided a copy for their own records. They should also be made aware of any updates to the documents as they are made, as well as the storage location of the original documents and all life insurance policies.

The planning tools mentioned herein generally form the foundational family protection plan every individual should have in place. There may also be more advanced needs such as income tax planning, estate tax planning or asset protection. Regardless of the specific needs, the widespread fear generated by Coronavirus has put many people in the right frame of mind to plan. Now it's time to take that planning beyond stocking up on toilet paper, and stock up on necessary estate planning documents and life insurance coverage. Those who procrastinated in stocking up on essential items from the supermarket may now find themselves in a precarious position as they attempt to stay isolated through social distancing. Updated estate planning documents and life insurance coverage can help ensure one's family is not put in a precarious position if the unthinkable were to happen.