SETP PARTNERS ESTATE PREPAREDNESS

MARRIED+ NO MINOR CHILDREN

CHECKLIST + AIDS / INFO

SETP PARTNERS / CRITICAL INCIDENT RESPONSE COMMITTEE

September 2023 | Author: Katherine Benjamin, CFP®, Retired

SETP PARTNERS Mission Statement

The mission of the Society of Experimental Test Pilots (SETP) Partners is to provide members and their loved ones the gift of being able to grieve loss without financial chaos and unanswered questions of what to do.

The Partners started the project in 2011 in the wake of experience: that most often the person who dies leaves their financial life unprepared and disorganized, and with mysteries that leave the survivors guilt ridden and many times in financial stress.

The SETP Partners are providing this guidebook free to the SETP members and their families so they can allow survivors to KNOW what would have been wanted, to BE ASSURED they will not be upended financially, and to SPEND THEIR TIME GRIEVING and RECOVERING from tragedy. All because time was spent laying out a plan now.

The Society of Experimental Test Pilots and the Society of Experimental Test Pilots Foundation take great pride in thanking the members of the original SETP Partners Committee (listed alphabetically) for their extraordinary efforts in providing this most worthwhile document to the SETP membership.

First Edition (2011):	Katherine Benjamin, CFP®, CLTC Linda deFrance John Fergione Kathy Lynn Fergione Kirsten Larson Sheyla Cooley Kelley O'Donoghue Richard Schock
Second Edition (2023):	Katherine Benjamin, CFP®, Retired Kirsten Larson (post death timeline)

Method of Handbook Rewrite 2023

This rewrite comes twelve years after the original, with more experiences of sitting with survivors following loss, feedback from user of the original handbook, and updates to the laws surrounding inheritance. Your checklist , individualized to marital / family circumstance, gives you in order of importance all the tasks to leave your survivors prepared, with emphasis for what is easy / little time demand (and therefore can be prioritized) and what will take more time or budget.

- Single with No Partner or Dependents
- Single with Partner (unmarried)
- Single with Minor Children (full or shared custody)
- Married, no minor children
- Married, with minor children

Important Disclosure

The Society of Experimental Test Pilots Partners put this handbook together for the use of its members and their families in order to plan ahead for an eventual death. It is a work in progress and, as such, no claim is made or implied that it is 100% complete. We have done our best to include everything we considered relevant at the time of publication; however, changes and updates to this document will invariably be made over time.

If you have used this document, either in preparation for or following the death of a family member, your constructive criticism is always welcome and appreciated. Please send your comments to setp@setp.org or mail them to:

Chairman

The Society of Experimental Test Pilots Foundation

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Sincerely,

The Society of Experimental Test Pilots Partners

This document is for informational purposes only and should not be construed as financial or estate planning advice; nor should it replace advice from a qualified professional (financial planner, accountant, attorney, etc.) We encourage you to seek the advice and counsel of your professional advisors as you construct your plan.

WHY

It is both a question and a statement.

It's the question that those who know you, who are your friends, and who are those you love and are loved by will ask.

Why are you gone?

Why did it have to happen to you?

Why didn't we talk about this situation when you were with us?

Why didn't you leave any instructions?

Leave a Roadmap

Hikers, people who bike, and those who go on road trips know the value of a set of turn-by-turn directions – even if you know the destination well. Leaving a road map for your family and friends is efficient and the kindest gift you could give them. Grief blocks logic and renders ordinarily capable people unable to make wise decisions. Having no plan can leave someone you care for without resources to pick the pieces up and move on in life. It also wastes money you saved in needless fees, court costs and attorney's fees.

With this guidebook and checklists tailored to each marital / relationship situation, we hope to avoid these mysteries.

The checklists that follow are the equivalent of setting up turn by turn directions for your family and friends to follow. Many of the tasks are simple, require little time and effort, but have enormous impact. Some tasks can be done online with the aid of tools, most can be done by simply printing things out you already have access to. But they save time and even thousands of dollars by having accomplished them in advance. Some things, like having a will, naming a guardian for children, or deciding to set up a trust when appropriate, save not only a great deal of money, frustration, and time, but also don't leave division of property or assignment of children to temporary guardians up to the courts and their lengthy timelines to decide.

You would not choose to fly without a properly packed parachute because you don't plan to crash. There is no superstition that flying <u>with</u> a packed parachute causes a plane to crash. Leaving your family secure means you also can be secure. <u>Your family and friends depend upon you to prepare.</u>

Married, No Children

People likely impacted: Spouse - income, housing, benefits, short and long term assets, Family

Goal: "Leave No Mysteries" "Make sure financial life carries on " "Enable friends to help"

In the checklist below, do the items with *asterisk right away because they are the easiest – no cost, takes very little time, has maximum effectiveness.

Otherwise, the list is in order of importance and increases in complexity when you get to creation of a will and associated legal documents.

Check These First and Make Changes as Needed

☐ ***Beneficiaries (Primary and Contingent) for your ☐Roth IRA, ☐IRA, ☐401k accounts**

- *NOTE: DO NOT LIST YOUR ESTATE OR LEAVE BLANK – name individuals or trusts established instead.*
- *<u>THE NAMED BENEFICIARY WILL INHERIT THE ACCOUNT, NO MATTER WHAT YOUR WILL SAYS, EVEN IF YOU ARE DIVORCED /REMARRIED.</u>*

☐ **Beneficiaries for your Insurance policies – check each site, even employer-paid policies*

☐ **Ownership of your things – do you own any account or property WITH someone else other than your spouse? Do you own anything in your name only? Who gets the property when you die?*

- *Joint With Right of Survivorship (JTWROS) will leave that asset to the other named person. This is best to leave your property 100% to your Spouse - no probate involved.*
- *Tenants in Common will leave the ownership split between the other named person and who the state probate law thinks are your heirs.*
- *Anything titled in your name alone goes to whoever the state probate law thinks is your legal heir. Every state has its own rules who this would be. This is not always 100% to your Spouse – a portion might also be awarded to parents. Instead consider reregistering as Transfer On Death account.*

☐ *Credit Cards – MAKE SURE SPOUSE IS JOINT OWNER. If the Spouse is listed as "Additional User" and not "Joint Owner", the credit card can be closed and not transferable to Spouse alone. Additional Users have no responsibility or obligation to make payments on the card, so banks have no one to secure the debt without you.*

☐ *Do you have enough insurance and assets to leave to provide at least 90% of what you earn now? Use an online calculator to determine: Forbes has several on one site:* *<u>https://www.forbes.com/advisor/life-insurance/how-much-life-insurance-do-you-really-need/</u>*

☐ *If you do not have enough saved assets and existing insurance, apply for more life insurance (possibilities: online, through a broker, through employer)*

Create The KEY DOCUMENTS – Will require Professional Assistance

☐ *A Will for who gets your belongings / assets that do not have a listed beneficiary, or whose ownership is not JTWROS.*

☐ *A Durable Power of Attorney for your Spouse to act legally on your behalf.*

☐ *A Living Will to allow your Spouse to make decisions regarding your healthcare or extraordinary measures to save your life or disconnect from life support.*

☐ **Consider organ donation and update your driver's license.*

Collect and Print Out

☐ *List of contacts and contact info to let them know about your death / disability –

(Parents, family, friends, HR phone, CPA, mortgage / landlord, Pet's Vet)

☐ *List of Passwords *(*phone, banking, brokerage accounts, retirement accounts, mortgage, credit cards, loans)*

☐ *Codes to access

(Storage units, gates, home alarm)

☐ List of digital assets (and user name / password and answers to security questions in order to close down)

- Email accounts
- Social media accounts
- Online banking accounts
- Online subscription-based accounts
- Ecommerce or marketplace accounts (i.e. Amazon, eBay, etc.)
- Photos saved online or on the cloud
- Online chatroom accounts
- Cell phone apps
- Online dating or gaming accounts
- Online accounts for utilities
- Loyalty program benefits (i.e. frequent flyer miles, credit card perks, etc.)
- **Any other personal information you store on your computer, cell phone, or tablet**

Where do you Keep:

- [ ] ***DD form 214 (if military)**
- [ ] *Will*
- [ ] *Material things not at your home*
- [ ] ***Keys to car / home / lockers / storage units / Boats / RV's**
- [ ] *Durable Power of Attorney*
- [ ] *Living Will*
- [ ] *Insurance Policies*
- [ ] *Deeds / Titles to Car, House, Boats, RV's*

Print Out or Screen Shot

- [ ] *Statement for each bank, brokerage, 401k / retirement account*
- [ ] *Statement for each debt / Credit Card*
- [ ] *List of your subscriptions (your phone may have this that you can screenshot) – audio, video, books, anything with a monthly or annual fee)*

Leave Instructions – Audio, Video, or Written

- [ ] *Identify in writing (and let them know):
  - Your Team – ☐ *who will serve as executor or personal representative for your estate?*

- [ ] *Funeral or Party? How do you want your life celebrated?*
- [ ] **Cremate or bury? Where?*
- [ ] *Leave a message to post on Social Media.*

Share this ROADMAP

- [ ] **Share the instructions checklist with SPOUSE, Family / Friends**

Glossary of Estate Planning

The Process of the Estate

Estate Plan

The means by which you protect and provide for your family and others close to you. Estate planning is like a road map of your financial goals, both now and after death. Your Estate Plan can affect the way you live, especially in retirement years.

Probate

Means "to prove" the Will is true and valid, which involves going to court (involving attorneys and court costs, paying probate fees to the state and takes months of time to complete transfer of assets). However, assets that have a listed beneficiary such as *Jointly Owned property, Transfer or Payable on Death accounts, IRA's, 401k's, life insurance, annuities and retirement benefits do not probate* – they pass directly to the named beneficiary. IMPORTANT: To avoid probate, the beneficiary must be a person or a named Trust and not the "Estate of the deceased" nor be left blank when set up. There are fees for probate, based on the size and complexity of the estate, payable to the court, the state and the attorneys who are represented during the process.

Registration

When an account is first set up, the labels that identify owner, the type of tax law that governs it, and the likely disposition of it when the owner passes away is called "registering" the account. Common registrations are: Sole (in one person's name only), Transfer or Payable on Death (Sole owner lists a beneficiary to take ownership after death), Joint with Right of Survivorship, Joint Tenants in Common, Tenants in Common, Roth IRA: For Benefit Of (FBO), IRA FBO. Banks and custodians look to this registration to determine who is allowed to inherit the account.

The People Involved

Administrator

When a person dies without a will, the court appoints someone to settle the debts, pay any taxes and funeral expenses, and distribute the remainder according to the court's decision (guided by the laws of the state). This person's services are paid by the estate.

Beneficiary

The person(s) who will inherit the asset.

Primary and Contingent A Primary Beneficiary is the first in line to inherit. You can have more than one Primary and will have to list the exact percentage each will inherit. A Contingent Beneficiary only inherits if the Primary is deceased or declines to inherit the asset. You may have multiple Contingent Beneficiaries, also with exact percentages listed.

Decedent The person who has died.

Executor/Executrix Your personal representative responsible for completing your wishes according to your Estate Plan or Will. This is not a small task; it is not always wise to make your children or spouse your executor. Any expenses this individual incurs on behalf of the estate can be reimbursed by the estate at closure.

Trustee An individual or organization that holds title to property and administers affairs for the benefit of another. In a Living Trust, the Trustees are the owners of the account until both are deceased, when the named "replacement" Trustee(s) take over management for the benefit of the beneficiaries that the Trust names and directs distribution for.

The Documents Needed

Durable Power of Attorney A document that can authorize one or more persons to act on your behalf if you are not able to act on financial, legal, and administrative matters, especially if you are not competent to make these decisions for yourself. A durable power of attorney can enable your family members to manage affairs, without having a guardian or conservator appointed by the Probate Court. There are significant legal, administrative, privacy, and cost benefits to executing a durable power of attorney which will take effect if you are absent or mentally incompetent. ***This is not to be overlooked. This document is more useful in life than any other document on this list. Absolutely essential.***

Healthcare Proxy Also called a Healthcare Power of Attorney, this is one of the three REQUIRED documents you should have. It allows someone to make decisions, and have information released about your healthcare, in the event you are incapacitated. It is essential for unmarried individuals especially.

Living Trust	With a Revocable (meaning changes can be made any time) Living Trust, you can direct how you want your property managed and distributed, and it can contribute to family and financial protection by continuing income and support for your spouse, children or other beneficiaries. A Revocable Living Trust takes effect during your lifetime and can be terminated or changed and updated at any time. It allows your directions to live on long past your death, protects the assets from creditors and predators, and its execution is strictly private, unlike a will.
Living Will	This is one of the REQUIRED documents you should have. This allows you to dictate what life-saving measures you want taken or withheld if a doctor deems that you are within a window of imminent death. Some States refer to the Document “Five Wishes” as this document.
Trust	You do not have to have large sums of money or property to have a Trust. They do not probate, so no court is involved in deciding whether your wishes are valid. A Trust is an estate-planning tool that can help you manage your property during your lifetime while ensuring a smooth transition of your affairs after death. People who should look into a Trust include those who are or have been divorced, those who anticipate an inheritance, people with properties in multiple states, people who adopt children, people with minor children, unmarried partners and couples where one is, and one is not, an American citizen.
Will	<u>The most basic document you must have</u>. It contains your instructions on who will receive any assets you own individually. Your Will nominates the executor of your estate and nominates the guardian(s) for your minor children. Assets passing under a Will have to be transferred through the probate process. Dying without a valid will is called “Intestate” and subjects the estate to more costs and longer processing by the courts. It also decrees how property will be divided and who will be the children’s guardian according to State Laws.

PROBATE: FEES AND AVOIDANCE

The Probate process takes time and money (on average 2-7% of the total estate). Its results are a matter of public record. In some states it's complicated and very expensive (California is notorious), and the estate probates in every state in which the deceased owns real property at death.

Probate is made more expensive and more complicated by not having a Will (Intestate). Dying Intestate means more hoops to jump through to prove the intentions of the deceased and subjects the estate to being divided according to state law, which means things like dividing all the assets in the estate among all the possible beneficiaries (creating complications for supporting survivors).

This first link is to a site specific to California's probate process and expenses:
https://www.clearestate.com/en-us/blog/california-probate-fees

Trust & Will, a site devoted to sales of their program for DIY estate planning, does have good basic information and links to more details which are clear to understand. In this link, scroll down to "Probate Costs by State":
https://trustandwill.com/learn/probate-fees

Your Goal is to make the process of transferring your assets as quick and easy and inexpensive as possible.

How to Avoid Probate

- ***Name Beneficiaries on your accounts***
- ***Title accounts with "Transfer on Death" or "Payable on Death"***
- ***Title property "Joint with Right of Survivorship" (any joint title with Survivor's Rights)***
- ***Use a TRUST to hold and protect your assets***

WAIT - What is a Trust? Aren't they only for Rich People?
NOT just for rich people! If you have children, real estate, properties in multiple states (especially California and other expensive / lengthy probate states), former spouses, dependents with special needs or a desire to distribute your assets over time – these are some of the many reasons you should consider a trust.
A trust is an estate planning tool designed to allow the deceased to provide for family or business needs beyond death, or to manage taxes, or to protect the estate from creditors and predators, and to maintain privacy. But it also avoids challenges to how the deceased divided their assets or who will care for the children. It can be all of these at once, depending on the provisions that are written into it.

Its main attractiveness might be to avoid probate, but registering or titling all your assets with a beneficiary or jointly will also avoid probate. However, probate will distribute property and assets immediately at the end of the process – imagine an 18-21 year old inheriting your house or all your money all at once – so if a slower, more spread out distribution is what you have in mind, a Trust will allow for that.

https://www.forbes.com/sites/matthewerskine/2022/08/05/what-is-a-trust/?sh=45784e034648

Doesn't it Cost a lot of Money to Manage the Trust?

A Revocable Living Trust, which is the simplest and most likely to be used by SETP members, allows the Trustees to be the Grantors of the Trust, which put simply means the Title says the Trust is the Official Owner, but the Trustees are the same people who owned the assets before the new registration. It's a paperwork change.

The Trustees (let's say a married couple for example) remain in full control of all the decisions of how to manage the property in the Trust. There is no outside management or Trust fees to be paid during the lifetimes of the Trustees.

At second death in this example, the Trust becomes Irrevocable, and at this point if it was desired to distribute the assets slowly over time, a Trust Company (such as at a Bank) will manage and distribute the Trust assets for a fee. The fee is similar to that charged by fee-only Financial Advisors. This is something to explore if you are considering a Trust. Talk to your bank first to see what their offerings are.

WHAT TO DO FIRST

1. Use the Checklist for your situation (Single, Married, etc) provided.
2. Create a Will – even a handwritten will found in a sofa was declared valid for Aretha Franklin!
3. Take the time to register your Assets either with a beneficiary for accounts like IRA's and 401k's, or a named person to follow on with Joint Title or Transfer on Death.
4. Talk with a qualified Estate Planning Attorney – Note that Financial Advisors or Wealth Managers are NOT qualified to draft Trusts.
5. If a Trust is the best fit, look for an all-in quote, which will include not only the Trust, but also a Will, a "Pour Over Will" for assets your forgot to register to your trust, a Durable Power of Attorney, a Living Will, and a Healthcare Power of Attorney. Expect to pay between $1500 and $4000 depending upon how complicated your situation is.

Married, with or without Minor Children Decisions on Survivor Housing and Income, and Continuation of Shared Goals

Establish a Vision / *Begin with the end in mind.*

- Start with the questions surrounding desired place to live ☐
- Determine the current income and lifestyle of the family ☐
- Discuss the current working situation of each Spouse and whether that would or continue if the other passes away or the survivor must move ☐
- Discuss the future goals that you had set and want to continue to achieve ☐

Best Practices

- Ignore the rules of thumb stating every variant from "you only need 10 years of income" to "you can live on 70% of your former income." There are no statistics which support these supposed rules of thumb; every family is different.
- Do not start from how much you have, start with how you *want* your family to live in the absence of the partner.
- For every major element, developing a set of questions and consequences of the choices will be most helpful.

FIRST DISCUSSION: HOME Sweet HOME: Where Will Survivor(s) Live?

Stay? Move? List pros and cons for each choice. Staying might not be possible in foreign countries or on base housing, where you have a limited time to make a choice of where to go. Selling a home in a down market is a recipe for financial disaster, especially if your plan forces that decision.

Moving means your children, who have lost their parent, now lose their house, their friends, their school, their activities…

Paying for housing? Paying off a mortgage requires less money to budget over time (and therefore less insurance money or assets) than does continuing to pay for it, because your mortgage cost cannot go up like rent does. But it takes a tremendous amount of assets or insurance, and pre-supposes that the survivors will keep it for decades (studies show it's more likely the home will be sold within 5 years).

Renting? Considering whether buying and financing a home somewhere will be impacted by the length and strength of the survivor's credit rating, their income and sources and their savings. Consider the increasing costs of rent over time.

Details

Home Location ____

Rent $________________________

Mortgage $________________________

If purchased:

How is the title registered (see the checklist for the options and uses or pitfalls of each)?

Bank to which payments are made: ___________________________________

On Auto payment? Yes or No   Due Date _____________   Amount_____________

Bank account making the payment ____________________________________

Date of current mortgage (or refinance date) ____________________

Details of Mortgage(s) -

# years (15, 30, etc)	Type: Fixed or ARM	Interest Rate	Balance	Original Purchase Price	Current Estimated Sale Value

WE DECIDED On This Plan

SECOND DISCUSSION: Paying the bills: *What is our budget and lifestyle now?*

The dreaded budget! It is not necessary to do forensic analysis of where all that money went, but it is very important to decide where money should go to live the life you want.

There are a number of ways to approach totaling up living expenses. If you are using Quicken or some tool which tracks spending, you have a leg up on this question.

Financial Planners suggest this shortcut:

What is your collective take home pay*? ______________________________(Subtotal A)

*Take home pay is what is deposited after all deductions for taxes, retirement contributions, benefits, etc.

From your take home pay, what SAVINGS / INVESTMENTS are automatically funded? (These will NOT include employer retirement savings accounts – that is accounted for above. Examples: Emergency Savings, 529 College Savings, IRA's, Roth IRA's, regular brokerage / investments deposits). List them:

____

____

____

____

What is this total? ____(Subtotal B)

Make the following Calculation: Subtotal A

\- <u>Subtotal B</u>

= $Money spent

Living Expenses are all subject to inflation - they will go up in cost over time. And if you have children, they become more expensive as they grow. Their clothing, shoes, "toys", and activities all become increasingly more expensive as they age. Rent goes up with time as well. BUT, unless you have an adjustable rate mortgage with fluctuating payments, Mortgage payments (Principal and Interest Only) are not subject to inflation. Escrow payments for insurance and Property Taxes are part of Living Expenses, and also will go up over time.

From $Money Spent, subtract only the Principal and Interest of your mortgage, if you are keeping the current house. *Skip this step if you are or survivors will be renting.*

$Money Spent
- Current Mortgage P&I payment
= $Living Expenses$

$Living Expenses$ are what you use to pay for everything from kids activities to food to cell phones - but you don't need to know how much each of those things costs to make a general lifestyle budget.

> *From experience*: Eventually when children leave the house to go to college, you will likely still be paying something toward their upkeep. By the time they leave college, inflation will have raised all the other expenses such that you might not see a dramatic decrease in your overall consumption that you determine if making this plan while children are small.

Your Calculation

Subtotal A ________________________________

+Subtotal B________________________________

= $Money Spent_____________________________

If your housing decision included paying off a mortgage, the above will include property taxes and homeowners insurance, and if applicable, HOA dues. All of which will increase with inflation and will continue even if you pay the home off. Your calculation will stop here with $Money Spent = Living Expenses$.

If you are renting or continuing to pay mortgage payments, continue calculating below.

+Current Mortgage P&I________________________

= Living Expenses$____________________________

Now you have a MONTHLY expense requirement (the Survivors Desired Budget).

Survivors Desired Budget for Monthly Living Expenses

Keeping our goals intact- *What legacy is important to me / us?*

As a couple, you have dreams of what you want to achieve for yourselves and your family.

- People look forward to living lives with rich experiences whether visiting family and friends, or traveling the world.
- Some look forward to a second home.
- Many with children have goals of educating them, whether privately in elementary or high school or paying for their college education.

(Note: Children of Active Members (at time of death) of SETP members are eligible for up to fully funded college scholarships. Spouses are also eligible after all children's needs are met and funds remain to allocate).

gifting.

In this section, a discussion of what legacy you want to support is necessary. Within this discussion, you'll need to put a price tag in today's dollars of what you want to provide. All of these numbers will be a fixed amount, as if you had an account ready to go to pay for them (ie, not monthly contributory amounts).

Children's education is a little more complicated to plan based on values. A divorce decree may have already determined a specific amount that a parent must be responsible for. Take that into account, but be sure to list it. Over the years, survivors will forget the details.

For determining college payment, the following calculator websites are helpful:

https://bigfuture.collegeboard.org/pay-for-college/college-costs/college-costs-calculator

http://www.savingforcollege.com/college-savings-calculator/

Two important safety tips in using the above websites - 1) the annual percentage of price increase across the US had been averaging 6 to 7%. It is estimated that going forward the minimum price increase annually will be less than that, but unknown how much 2) these sites use national averages for various types of colleges, not specific named schools. Using either of these calculators will give you a rough idea of the lump sum necessary to pay for your desired level of college support.

Results of our elementary / high school discussion:

We wish to fund:____

____

The total lump sum (for all children) we would need to pay for this if we had to write a check today is:

$___________________________

Following is a possible but not complete list of goals that many people name. Add yours.

Specific trips $__________________________________
Description:____
Second home $__________________________________
Description:____
Support Parent / Family $__________________________________
Description:____
Donation to Charity $__________________________________
Description:____
Anything else?

Putting All the Dedicated Lump Sums Together

You are now ready to put together the previous lump sums you have allocated to special goals you want to continue as your legacy.
Add all the legacy lump sums together here: $____________________________________

MARRIED, WITH OR WITHOUT CHILDREN: SURVIVORS INCOME PLANNING

Income Sources

The major sources of income following a death are:

- **Social Security**
- **Pension**
- **Survivor's employment**

This section will examine the rules for each, and you will know by the end of the work here how much could be expected from each source, as well as how to apply.

> IMPORTANT: there can be a significant time delay between applying for benefits and receiving them. You will need to make sure there is at least a six month cushion of cash in bank accounts to cover living expenses until the various benefit sources can be turned

Sc

Yo ... ity, survivor (parent and child), survivor over age 62, and retirement benefits. The following are for survivors of a fully qualified earner.

- **Widow or Widower** may receive benefits starting at age 62, or, if caring for child under age 16 or disabled.
- **Unmarried child** younger than age 18 (or up to 19 if attending high school full time)
- **Disabled child**, if the disability occurred before the child reached age 22 and remains disabled
- Under certain circumstances, benefits may be also payable to **stepchildren, grandchildren, step-grandchildren or adopted children.**
- **Dependent Parents** can receive benefits if they are age 62 and older. For your parents to qualify as dependents, you would have had to provide at least one-half of their support.
- The full list of eligible recipients and rules are found here:

  http://www.ssa.gov/ssi/text-eligibility-ussi.htm

The best way to determine what your survivors are eligible for is from your social security statement. This is found online at My Social Security: http://www.ssa.gov/myaccount/

Set up an account with your own user name and password - a process that takes about five minutes to complete. Do one for each spouse. From there you will be able to access your work history and benefits payable to eligible survivors.

From your statement, fill in the following:

Your spouse over age 62 is eligible for: $__________________________

Your spouse caring for a child under age 16 $__________________________

Your child under age 16 (or 19 if full time in HS) $________________________
The family maximum is the amount TOTAL that Social Security will pay, even if you have 10 children. This will include the spouse caring for the children, plus the children:
My Family's maximum is: $________________________
Your family will receive the lower of spouse + child, or the Family Maximum.
My Family can expect to receive: $________________________
*Note: If the survivor is employed, the earnings of that survivor will diminish the amount the survivor may receive from Social Security at a rate of $1 of reduction for every $2 of earnings over (in 2023) the threshold of $21,240 annually.

Pension

Some companies still have pensions, and survivors may be able to receive this benefit following the death of the worker. Active Duty military have two programs which assist in income replacement: Survivor Benefit Plan, and Dependents Indemnity Compensation

Eligible for a Pension from your employer?
Call the Human Resources department to verify exactly what would be received by Survivors TODAY as benefits, since many of the websites for employees report the PROJECTED benefit once either vested or eventually retired at the company's stated retirement age.

My Spouse's Pension Benefit is: $____________________/mo

Active Duty Military?

- **Active Duty Military:** there are monetary benefit differences between medical retirement and active duty survivor benefits you should be fully informed of before assuming one is better than the other. Your base casualty affairs office can direct you to the most up to date information on the benefits available, depending on the current law.
- **Survivor Benefit Plan** (SBP) is an annuity (monthly amount) payable to qualifying survivors of active duty and military retirees. For active duty, it is reduced dollar for dollar by receipt of Dependents Indemnity Compensation (DIC). Full rules are found here: **https://militarypay.defense.gov/Benefits/Survivor-Benefit-Program/Overview/**

Retired Military?

- At retirement, you and your spouse elected some portion of SBP, or declined it (only by spousal signature for consent). In addition, you paid a premium for this insurance benefit, based on the percentage selected.
- **The easiest way to determine what to expect for SBP survivor income is to look on your monthly retiree statement.** On the summary below the accounting of pay and deductions, there is a section which addresses exactly what amount the survivor will receive. This changes each year, with any COLA that Congress approves for military retirees. Please note that the premium, therefore, is also increasing each year (sharp eyes will see the increase by looking at their deductions).

My spouse's SBP amount is: $_________________________

My child's SBP amount is: $_________________________

- **Dependents Indemnity Compensation (DIC)** is paid to a surviving spouse and dependent children if a member dies of a service-connected cause. Included are not only deaths while on active duty, but also in retirement if the cause of death is due to an injury or disease contracted while the member was on active duty. DIC is adjusted for COLA annually by Congress. Effective January 1,2023, DIC payments to surviving spouses are a monthly rate of **$1562.74**
- Full rules are here:

  https://www.benefits.gov/benefit/290

Survivor's Income (Salary)

- I continue working
- I return to work*
- What if I am unable to work?

Many people assume they will continue to work in their present position. Some state they would like to return to work. But you should also plan for the scenario of: "What if I am unable to work (disabled or ill)?" The automatic assumption that a survivor returns to work will ruin a plan if that person is unable to do so. (Make sure you learn about and implement your employer's Long Term Disability plan, and consider a supplemental plan to bump from the typical 60% taxable to a max cap at employer discretion to 80+%.)

This topic is worth a good discussion.

- Will the survivor need retraining or education IF able to return to work?
- Are there "return to work" /disability benefits available through employer?
- How much income will be lost to child care? Some professions don't outearn what the child care costs. Would it be less expensive to hire a nanny?
- Will the Survivor need to hire a housekeeper? What will happen to their time and family if they take up this responsibility too?
- How much is Social Security payment for family impacted if Survivor does earn income?
- What costs of working would be new that are not presently part of the budget?

- What happens to your medical benefits if Survivor is unable or decides not to work?

My Spouse's Salary Projected is: $____________________/mo

Income expected from Sources Available

Survivor Salary ___________________________
Any unreduced Social Security ___________________________
Pension ___________________________
SBP ___________________________
DIC ___________________________
Rental Home Income ___________________________
Other ___________________________

Total: ___________________________

Assets List

Best practices and hacks for tackling this portion of your checklist:

PRINT OUT one statement from each of the type of accounts you have.

These will show:

- The registration of the account (who the owner is)
- The account number
- The type of account (tax qualified or not)* if it's qualified, it will have an additional title, such as "IRA", "ROTH IRA", and of course, your 401k / 403b
- The way to contact the company

On each statement, if you have a user name and password to access the account, write on the upper margin the url, and the user name and password and any security questions. If two factor is required to access, list which phone number will be used.

That way the survivor can access the most up to date statement at death, which is REQUIRED, along with a raised-seal death certificate,to re-register the accounts. Your attorney will require this information to execute the estate.

FYI: Identifying Accounts and Purposes

Tax-Qualified accounts (restricted by age / penalty to use in retirement (past age 59 ½): will have the individual's name, and the words, "IRA" or "ROTH" in the address label portion of the statement.

Non-Tax-Qualified (or Taxable – can be used any time) accounts:

- *can be single registration with just the owner's single name on the address portion*
- *can be a couple's set of names followed by "JTWROS" or spelled out, "Joint With Right of Survivorship". Note - there can be more than two owners in JTWROS, as when elderly parents add an adult child to an account for monitoring purposes.*
- *can be a couple's set of names followed by "JT TEN" or spelled out, "Tenants in Common." This is a more rare registration.*

College Savings Accounts: can be 529 accounts, which will list the custodian's name (usually one parent, but could be a grandparent or other relative), and prepaid Education accounts.

UGMA (Unified Gift for Minors Act) and UTMA (Unified Trust for Minors Act) accounts will be listed under the CHILD's name and social security number with the parent as custodian (but not owner).

Employer Incentives: Print out the grant statement for Restricted Stock Units (RSU's), any Stock Options, and a statement of any Deferred Compensation accounts. These will be available on your company website, or linked with your company retirement account.

LAST STEP: Group your statements together by the account types below and total the assets in each category.

TODAY'S DATE ______________________________

Tax Type	ROTH	IRA	Employer Retirement Plan (401k/403b)	Total of All Qualified Accounts
Qualified				

Tax Type	Stocks, Bond, Mutual Funds Accounts	Bank Accounts, CD's	EE and I Bonds	Total of All Non-Tax Qualified Accounts
Non Qualified				

Tax Type	Net Value (Current Estimated Property Value - Mortgage Balance	Net Income Received Annually	Total of All Net Real Estate Value (not income)
Investment Real Estate			

Tax Type	529	Coverdelll	UGMA / UTMA	Total of All Children's Accounts
Children's / Education				

Tax Type	Restricted Stock Vested Only	Stock Options	Deferred Compensation	Total Value of All Employer Incentives
Employer Incentives				

Below is a Sample Letter of Instruction for permission to spouse to conduct inquiry on retirement accounts, employer plans and benefits.

You will need a separate letter for each entity you might call

IMPORTANT SAFETY TIP: keep one handy in your computer hard drives or cloud to fax or email to a gatekeeper, because companies "lose" them all the time - or just don't keep a record that they received it.

Morgan Stanley Dean Witter Smith Barney Wells Fargo Merrill Lynch, Inc.

Date:

RE: Permission for Spouse to make inquiry on account / benefits information

Employee Name: Dudley Do Right
Employee SSN
Employee Company ID

I hereby give permission for my spouse Nelly Mae Do Right, to make inquiry about my accounts, ask tax or statement questions, request information about benefits, and request statements on my behalf. This permission is valid until I revoke it in writing.

Sincerely,

Dudley Do Right
Address
Phone
email address

LIFE INSURANCE POLICIES

Employer Group and Private Life Insurance Policies

Life insurance is the least expensive and most important asset you can have – it's instant savings for your family to live off of and is tax free.

It can be distributed in a check within days or weeks (depending on the company) and proceeds used flexibly: to pay off mortgages, deposit against college or retraining, pay off debts, or be invested to provide income for the survivors. It is the least expensive way to provide what would take decades to save and has never been less expensive to buy.

What do you have?

Employer Group Term

PRINT A COPY OF THE BENEFITS PAGE FROM YOUR EMPLOYER

Log into your employee benefits site. It will clearly list the total amount of group term insurance, spousal / family group term, ADD, and any supplemental insurance you purchased through employer.*

> Group insurance works by distributing the risk across the company, or group. It's one of the cheapest benefits a company can offer. Under a certain amount you may not need any health exam, but you must sign up for it at either start of employment or annually (usually in the fall) for the company benefits selections for medical, retirement, and insurance benefits. Most employers provide the employee with a basic level of insurance at no cost to the employee. This threshold can vary from $50,000 to a multiple of salary. Anything over $50,000 will incur a very small charge to the employee which is deducted from salary each paycheck.

GOOD TO KNOW

FYI: Employer Insurance Coverage

- Most employer coverage is listed in terms of multiples of salary, which means you will need to update your plan annually as your salary increases.
- You might also have the option to increase coverage once a year (November) during annual enrollment, **BUT** this may involve medical qualification for coverage, and will definitely have a cap on the maximum amount that can be written. The employee pays for this benefit post tax out of their paycheck.
- You may or may not be able to keep this coverage when you leave your employer (need to contact the insurance company to determine the details on this) but you may never keep the employer base insurance if you leave.

EXAMPLE:

The table below contains an example of someone making $110,000 per year. They have a base benefit of 1.5x salary for a total of $165,000. When the salary changes, so does the Base Coverage. But normally the base coverage will eventually hit a high dollar cap, overriding the multiple and the salary increases. NOTE: *For highly compensated employees, pay attention to this cap!*

What is ADD?

ADD means Accidental Death and Dismemberment. It is a contingent additional amount - contingent on the loss of life directly due to accident in the case of accidental death, or a "bounty" paid if an accident results in the loss of a limb.

ADD is very difficult to collect because the insurance company requires virtually immediate death from this accident, and should not be factored in your basic calculation of the amount of coverage you have, since there is no way to predict how you will die.

What is a Miscellaneous Contingent Benefit?

Some companies provide a supplemental amount of life insurance in the event the death happens while on company business trip, while in a company airplane, etc. The contingency will be clearly stated. Again, this should not be counted upon as part of the basic benefit because it is not a guaranteed event or the only way you could perish.

Base Salary	Multiple of Salary	Base Coverage	Insurer	ADD	Misc Contingent Benefit
110,000	1.5	165,000	Snoopy Life Insurance	100,000	500,000

Total Amount of Life Insurance BASE coverage I have through my employer:

$_______________________

Total Amount of Life Insurance coverage my SPOUSE has through my employer:

$________________________**

**Note: If you are basing your family coverage on your employer, the surviving spouse will have to replace their coverage with their own policy if you die or leave the company. It is generally a bad idea to depend upon this unless the surviving spouse is uninsurable.

Privately Purchased and Owned Life Insurance Policies

PRINT OUT THE BENEFITS PAGE (WITH COVERAGE DETAILS) ON EACH POLICY

These are policies you have purchased and are not dependent upon your employer. In general it is best practice to own substantial coverage on yourself and your spouse OUTSIDE of your employer so that if you change or lose your job, you do not lose your coverage.

Name of Insured	Insurance Company	Amount of Coverage	Premium	Policy Number	Issue Date	Length of Term
Joe Example	Bizzy Life Ins Co	$500,000	$50/month	MN12345	9/1/2000	20 years

Total Life Insurance I own: $___________________________________

Total Life Insurance my spouse owns: $___________________________________

How much Life Insurance Do I need?

Single / No Commitments or Dependents

Life insurance provided by employer is likely sufficient.
Cases where insurance may be needed:

- Private Student Loans (not Federal) and Parent Plus Loans will need to be paid off.
- You have a private loan you need to make sure is paid off at your death.
- You have an animal you want to provide for (leaving an amount for their care to whoever will adopt the pet).
- You have a charity or family member you want to leave a specific amount for

You may have enough assets accumulated to provide for these events, but if not, life insurance is the easiest and least expensive method of meeting the requirements.

Single /with a Partner and/or with children

How much you need depends on:

- Does your partner rely on all or part of your income to keep living in the home you share? *Then you need insurance and assets to provide that income for however long you both agree*
- Do you provide monthly support for your child or have full custody and need to provide for the loss of your support?
  Then you need insurance, mostly, and non-retirement assets enough to provide for the child to a pre-determined age.
- NOTE THAT SETP MEMBERSHIP INCLUDES EDUCATIONAL SUPPORT FOR THE CHILDREN OF MEMBERS. Currently the endowment allows for full support of college and equivalent coursework for the children of deceased members.
- You can find calculator support here.

Married / No Children you support

How much you need depends on:

- Is your spouse reliant in any way on your income?
- Do you own a home? Have debts to be paid off?
- Is your spouse employable? What if your spouse is unable to work following your death?
- Do you provide monthly support for a non-custodial child?
- NOTE THAT SETP MEMBERSHIP INCLUDES EDUCATIONAL SUPPORT FOR THE CHILDREN OF MEMBERS.
- NOTE THAT SETP MEMBERSHIP FUNDS EDUCATIONAL SUPPORT FOR THE SPOUSE OF A DECEASED MEMBER, in second position after all deceased members' children are fully funded.
- You can find calculator support here.

Life Insurance Calculators

And Pros and Cons to each

There are calculators online and within financial programs. If you try out a few of them you may find they do not all agree even if you supply the same information. That is because they vary with their assumptions for investment returns and inflation. You should always look at what those assumptions are in order to understand the differences in results.

Using these calculators may bombard you with ads soliciting buying insurance. However, none are retaining information unless you ask for quotes from one of the advertisers.

You may also contact an insurance professional but fair warning: they are trained to sell insurance, so more may be better. Ask them what their methodology and assumptions are too. Can't vouch for whether your search history will set you up for an increased number of ads for insurance.

You may contact a financial planner, but an investment advisor or wealth manager is typically not trained in insurance planning, so may not give you the best answer. A fee-only planner should be able to give you a good idea of how much coverage you need and refer you to how to get it, but many of those are also not trained or licensed to comment on life insurance.

On your own, an Old School Doesn't-Sell-Your-Info way to determine how much you need is this:

1. Add up the non-retirement assets and insurance you have.
2. Add up all the monthly income sources your family / partner may have coming in following your death (Salary from their job if able to continue working, Social Security for minors, Military Survivor Benefit Plan or Dependents Indemnity Compensation, rental property income, etc.)
3. Total your monthly bills to include any monthly savings or retirement deposits you have been making outside of 401k's.
4. Total up any debts which are to be paid off (credit cards, car, *maybe home if spouse / partner would continue to live in it and is unable to work – this one deserves thought and discussion with a financial planner).
5. Subtract the debt total from the non-retirement asset total. If there is more debt than assets, you either need more insurance or the debt payments need to be added to the monthly bills and will continue until they are paid off.
6. Subtract the monthly bills from the monthly income. If there is an overage, that's great. If there are more bills than income, go to next step.
7. Take the remaining asset total and multiply by .04. That will be a very rough estimate of the amount of money that can be withdrawn from the asset portfolio until retirement. Inflation will eat a bit more than the accounts can earn – it's the "safe withdrawal" multiplier that is frequently applied to retirement accounts.
8. Any deficits from this point require either more insurance or fewer expenses.

About using retirement account balances in this calculation: if the inheritor is a Spouse younger than 59 ½ , they will have the option to rollover the retirement account into their own plan, or leave in the deceased Spouse's name. That is the only way to withdraw money from the account without incurring the 10% penalty for early withdrawal.
The withdrawals are ALWAYS taxed at ordinary income tax rates – for example: if you withdraw $300K from a retirement account to pay off a house, $300K is added to the income received in that year and taxed accordingly. That will needlessly deplete the account early and leave a shockingly diminished value for retirement itself.

LARGE NUMBERS GIVE A FALSE SENSE OF SECURITY

This table shows you how the total amount of insurance you have may translate into a monthly income for your survivors. Time periods listed are for 10 years of income, 20 years, and 30 years, and the assumption is that between inflation and investment proceeds, the particular insurance amount in a single column will be exhausted after the period of time listed.

IMPORTANT: The assumption for this chart is that ALL of the insurance payout will be used purely for income; none will go to any debt payoff amounts.

If you have this much death benefit coverage	$100,000	$250,000	$500,000	$1 million
Survivors Monthly Income over 10 years	$990	$2475	$4950	$9900
Survivors Monthly Income over 20 years	$585	$1463	$2297	$5855
Survivors Monthly Income over 30 years	$457	$1144	$2290	$4578

Survivor Financial Needs Analysis

From Desired Budget	Monthly Income Needed	____________
minus	Monthly Salary from work	____________
minus	Monthly Social Security *	____________*
minus	Monthly Pension	____________
minus	Monthly DIC	____________
minus	Monthly SBP	____________
minus	Rental Income	____________
Net Annual Income Needed		____________

Multiply by 240 (4% withdrawal rule**) = Lump Sum for Income $_____________________

Add	Funeral / Administrative Expenses ($6000 to $15,000 average)	$_____________________
Add	Six months' income	$_____________________
Add	All Debts (car, personal, student, credit card)	$_____________________
Minus	Insurance from all sources	_______________________
Minus	Assets	_______________________

Equals Overage (which will be needed to replace SSA when it disappears between youngest child being 16 and age 62 of survivor)

OR

Equals Deficit - which requires more life insurance.

* Although each survivor is potentially eligible for 75 percent of the deceased's Primary Insurance Amount (PIA), two provisions of Social Security—the family maximum and the earnings test—can reduce this amount. You will find the family maximum on your Social Security statement of benefits, but the earnings test is applied to the income of the survivor caring for child(ren). In 2023, that's $1 for every $2 above the amount of $21,240 annually.

**Many professionals regard a 4% annual withdrawal from a sum of money that is invested in a prudent portfolio to be a "safe" withdrawal rate.

Need Help? DIY? There's an App for That

The checklists and worksheets in this guidebook will take you through everything you need to prepare your family with the exception of creation of legal documents. You will have a paper file or can create a digital file of what you collect.

But maybe you are the sort of person who would prefer to use an app. The upside is you will be guided along, and have a built in place to store the instructions and documents. The downside is cost (subscription and storage fees), and being targeted by ads, although this author tried one of the recommended ones from the article below and has been impressed so far.

SETP makes no recommendation nor endorsement of any of the following – use at your own risk.

This article was written by a Certified Financial Planning ® Practioner, and published in NerdWallet in May 2022.

https://www.nerdwallet.com/article/finance/dealing-with-death-theres-an-app-for-that

For Wills and Documents that are absolute MUSTS, if you have a simple estate (Single, No Partner or Married Without Children and little real estate or other assets), you could consider one of the online companies that help with the creation of these documents.

The following article was published Aug 21, 2023 by the National Council on Aging and is an overview of the offerings in the space.

https://www.ncoa.org/adviser/estate-planning/best-online-will-makers/#:~:text=Editor's%20Pick%3A%20Nolo's%20Quicken%20WillMaker%20%26%20Trust,-Pros%20Highly%20rated&text=Quicken%20WillMaker%20%26%20Trust%20gets%20the,all%20the%20companies%20we%20reviewed.