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Members of the Military: Estate Planning



By definition, estate planning is a process designed to help you manage and preserve your assets while you are alive, and to conserve and control their distribution after your death based on your goals and objectives.

Whether you're a veteran or just starting out in the military, planning and preparing your estate is of vital importance. Why is estate planning so critical? Because, at your death, you leave behind the people you love and all your worldly goods. Without proper planning, you have no say about who gets what, and more of your property may go to unintended recipients instead of your loved ones. If you care about how and to whom your property is distributed, you need to prepare your estate plan.

Who needs estate planning?

Estate planning is important regardless of your financial situation. In fact, it may be more important if you have a smaller estate because the final expenses could have a much greater impact on your estate. Wasting even a single asset may cause your loved ones to suffer from a lack of financial resources.

Your estate plan may be relatively simple and inexpensive, such as preparing a will to distribute basic accounts and assets and designating beneficiaries for your life insurance policy(s) and retirement account(s). If your estate is larger or you have more assets, the estate planning process may be more complex and expensive. In any case, you'll probably need the help of professionals, including an estate planning attorney, a financial planner, an accountant, and possibly an insurance professional.

Issues to consider

Your estate plan should be geared to your particular circumstances. Some factors that may impact your estate plan include whether:

- You own real estate, especially if you own property in different states
- You have minor children or children with special needs
- You are married
- You intend to contribute to charity
- Your estate might be subject to estate tax
- You become disabled or incapacitated and are

unable to manage your financial affairs

How do you begin planning your estate?

It generally begins with an analysis of what you own. The type of assets and property you own can affect how you plan your estate. Next, formulate goals and objectives for your estate plan. Decide whom you want to inherit from your estate. Consider whether you want to place any restrictions or conditions on an inheritance (e.g., specify a replacement should a named beneficiary predecease you; control distributions to minors or someone you consider a spendthrift).

Consider how taxes might impact your estate. Taxes that may factor into your estate plan include federal and/or state gift and estate taxes, state inheritance taxes, and federal and/or state income taxes.

Additional goals and objectives you might consider include whether you want to:

- Provide for your family's financial security
- Ensure that your property is preserved and passed on to your beneficiaries
- Avoid disputes among family members
- Provide for family members' education
- Determine who will manage your assets and property after your death and who will be responsible for carrying out your wishes (e.g., executor, personal representative, trustee)
- Avoid probate
- Minimize estate and other taxes
- Plan for your potential incapacity

Common estate planning tools

Many strategies and tools available that can help you carry out your estate plan. In most cases, these tools are governed by specific state law, as well as federal law in some instances. Therefore, you should consult with a knowledgeable estate planning attorney to



With your estate plan successfully completed, the next critical step in the overall process is to carry out periodic reviews and to update your plan when appropriate.

ensure that your legal documents and estate plan comply with the appropriate laws. The following is a brief description of several common tools and strategies:

- **Last will and testament:** A legal document that describes to whom and how you want your property distributed, names the person or entity that will administer your estate, and specifies who will care for your minor or disabled child.
- **Trust:** A separate legal entity that can hold property and assets, for the benefit of one or more people or entities (e.g., spouse, children, charities), and can be implemented while you're living or at your death, usually through your will. Trusts may incur up-front costs and often have ongoing administrative fees.
- **Durable (financial) power of attorney:** A document in which you name someone to act on your behalf for a specific purpose (e.g., sell your home) or to manage your financial affairs should you become unable to do so yourself.
- **Health-care directives:** A health-care proxy and living will allow you to express your wishes about the administration of medical treatment and life-prolonging measures during times when you cannot otherwise express those intentions.
- **Guardian for minors:** Generally included in your will, this is the person who will be responsible for the care and protection of your minor children.
- **Beneficiary designations:** Often overlooked, this important function applies to financial products you own such as life insurance, annuities, and qualified savings accounts such as your Thrift Savings Plan and IRAs, and supersede instructions in a will.
- **Funeral and burial arrangements:** Your wishes for your funeral, the disposition of your remains (e.g., cremation, burial), and organ donations may be expressed in your will, trust, or in a separate writing.

Survivor benefits

Whether you are receiving military retirement pay, a private pension, or income from the military or private employment, your death could cause serious financial hardship to your family. A major part of estate planning is developing strategies and contingencies to provide for your family after your death. Servicemembers have several benefits including life insurance, death gratuity, and survivor benefits that

may be available to help survivors should the unthinkable happen.

- **Life insurance:** Offered through the military in several forms for active members and veterans including Servicemembers' Group Life Insurance, Veterans' Group Life Insurance, and Veterans' Mortgage Life Insurance.
- **Death gratuity:** A \$100,000 death gratuity is paid to the next of kin of members of the military who die while on active duty or within 120 days of separation.
- **Dependency and Indemnity Compensation (DIC):** A monthly benefit paid to eligible survivors of servicemembers who die while on active duty, or veterans whose death is due to service-related injury or disease, or veterans whose death is nonservice-related but who are receiving or entitled to receive VA compensation for service-related disabilities and who are totally disabled. Other eligibility requirements may also apply.
- **Survivor Benefit Plan (SBP):** A pension-type plan in the form of an annuity that can be purchased to pay your surviving spouse and children a monthly payment based on a percentage of your retired pay. If you are on active duty, retirement-eligible, and have a spouse and/or children, they are automatically protected under SBP at no cost to you while still on active duty. You must pay premiums for coverage once you retire from the military.
- **TRICARE:** Health insurance is available to certain eligible surviving family members of deceased active duty or retired service members. Conditions for eligibility may apply and costs for coverage and benefits available may vary based on the sponsor's military status at the time of death and whether the family member is a surviving spouse or child.
- **Additional benefits:** Available for survivors of veterans and servicemembers who die while on active duty includes burial in a national, state, or military installation cemetery (this is also available to spouses and dependent children of the servicemember), headstone or marker provided by the government, burial flag, and reimbursement for a portion of burial expenses.

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