Asset Protection

A planning, conversation, and resource guide

Fidelity INVESTMENTS

Use this guide to help create a plan for protecting those you love and what you have. It's important to involve all your trusted advisors and family members, and to talk about issues like preserving an estate for the benefit of heirs and reducing estate taxes.

Think about what's important to you and your family by identifying your goals and objectives. You'll also find helpful hints on:

- Getting important documents organized
- Reviewing titling of assets
- Choosing beneficiary designations
- Considering the significance of a will and a trust

Creating a plan to protect those you love and what you have

Few things require more thorough and thoughtful planning than providing for your loved ones. That's why protecting what you have accumulated should be a natural part of your overall investment planning process.

Your Fidelity investment professional can help you follow a set of manageable steps designed to distribute your assets, reduce taxes, and provide liquidity when it's needed most.

Get organized

Learn more about **Estate Planning** at Fidelity.com/estate.

Catalog what you own

Your attorney needs to understand your assets and liabilities and know whose name is on the title or obligation. This information will help determine whether action needs to be taken to properly structure your plan.

You should make a list of all your financial accounts, real estate, family business interests, and any valuable objects you own. Create a similar list of any liabilities, such as mortgages or bank loans. Be sure to include shared obligations and those you have guaranteed, such as a student loan for a child.

Locate important documents

You will want to list the location of important documents such as tax returns, wills, trusts, powers of attorney, and financial statements. Also obtain and keep copies of all beneficiary designation forms you may have: for example, on retirement plans or life insurance policies. Take inventory of the location of electronic information, including passwords.

Identify contacts and advisors

Create a list that includes phone numbers, and email and street addresses. It might include personal friends, attorneys, accountants, or others who are important to you or play an important role in your plan.

Important documents in an estate plan

If you haven't selected an attorney yet, you should find one who specializes in estate planning. They may ask you to execute legal documents and assign key roles necessary to carry out your plan. These documents and roles may come into play as certain circumstances arise.

- Will
  This is a legal document that may set forth your wishes regarding the distribution of your property and the care of any minor children.

- Trust
  A trust is a fiduciary arrangement that allows a third party, or trustee, to hold assets on behalf of a beneficiary or beneficiaries. Trusts can be arranged in many ways and can specify exactly how and when the assets pass to the beneficiaries.

About Fidelity Estate Planner®

Fidelity Estate Planner® is an online service that provides step-by-step instructions to help you get well informed, organized, and connected to the professionals needed to create your estate plan.

Fidelity.com/estateplanner

Important documents for ongoing care

A comprehensive plan helps provide continuity in the management of your assets in the event you may be unable to make decisions on your own. Your attorney may advise you to consider documents intended to protect you and ensure that others can make decisions on your behalf, if necessary.

- Living Will or Medical Directive
  Outlines your wishes regarding life-prolonging medical treatments, and may vary depending on your state of residence.
- Letter of Instruction
  Contains the critical information your family will need in the event of your death or inability to make decisions on your own, including a contact list of your advisors, a current inventory of your assets, a list of legal documents, and instructions on where to find important information.
- Beneficiary Designation Forms
  These specify your desire to have your funds paid out in a particular way upon your death. These are binding forms and should be reviewed periodically.
- Health Care Proxy
  Names the person who can make health care decisions for you in the event you are unable to make or communicate these decisions for yourself. This document may vary depending on your state of residence.
- Power of Attorney (POA)
  Grants to another person the authority to make certain decisions on your behalf. POA authority ends either when you revoke it, when you become incapacitated, or in the event of your death.
- Durable Power of Attorney
  Grants to another person the authority to make certain decisions on your behalf. Unless previously revoked, it extends past the point of your becoming incapacitated to the end of your natural life.
- Health Insurance Portability and Accountability Act (HIPAA) Release
  Identifies to doctors and other hospital staff the people who can visit you, and to whom information can be released in the event you are not able to make decisions or communicate your preferences.

You should share your power of attorney documents with your existing financial institutions, and share the health care proxy with your health care providers.

We've created a useful Wealth Transfer checklist to help in this process.

Use our Health and Medical Information worksheet to help you collect important information in one place.

Titling of assets

Review ownership of your assets

Making sure the information on documents is up to date and accurate is an important part of making sure your plans are carried out smoothly. There are several ways you can give instructions on how to distribute your property.

By contract

A contract on an account, like a beneficiary form or a "transfer-on-death" designation, takes precedence over your will. Each ownership or designation has a specific implication in and of itself and avoids the need for probate (the handling of a will in court).

- Beneficiary Form
  You may have property that will be distributed upon your death by means of a beneficiary designation. The most common of these is a form added to a retirement account. These forms are often part of a contract issued by a retirement plan administrator, insurance company, or other profit and/or pension plan. These designations typically may be modified at any time during your lifetime.

- "Transfer-on-Death" Designations
  In states where it is allowed, some banks and investment companies permit accounts to be held with a "transfer-on-death" (TOD) or "pay-on-death" (POD) designation. When an account has a TOD or POD designation, it will automatically pass to the named beneficiary at death. These designations are revocable during life.

By law

There are a number of ways assets can be classified under law. Your state has its own laws, which is why it's important to work with a local attorney.

- Joint Ownership/Joint Tenancy with Rights of Survivorship
  When one owner dies, property ownership transfers to the surviving owner(s) through the "right of survivorship." Probate may be avoided by jointly owning an account or property with another person.

- Tenancy by Entirety
  This is similar to joint tenancy with rights of survivorship, except that it applies only to married couples.

- Beneficiary Deeds
  Some states recognize beneficiary deeds, or "transfer-on-death" deeds. Check with your attorney to further explore this option.

  A beneficiary deed is filed with a deed to real estate, wherein the owner of the property names a person or persons who are to receive the property following the owner's death. If such designation is in place at the time of death, the asset will pass without going through probate.

Getting help from the professionals.

Your attorney is an important part of any plan to protect and preserve your wealth. He or she can explain the estate planning processes, help draft documents as necessary, review and modify existing documents, and answer any questions.

By trust

A trust can be created as a legal document during your life, or within your will (often referred to as a testamentary trust). The terms of the trust dictate the distribution of the assets held in it, which can include any property, including real estate, life insurance, and personal property.

By probate

Probate is a legal process for settling an estate according to a will. Assets that were held individually by the deceased or that do not have an assigned beneficiary will generally need to go through probate. Probate rules vary. Your local probate court or attorney may help you understand the rules that will apply to you.

Once your estate plan is complete, it is important to review your designations and titling again with your attorney and financial professional, to ensure that these documents are consistent with the goals, objectives, and overall strategy of your plan.

What is probate?

Probate is a legal process for settling an estate according to a will. Assets that were held individually by the deceased or that do not have an assigned beneficiary will generally need to go through probate. Probate rules vary. Your local probate court may help you understand the rules that will apply to you. Having an attorney experienced in probate is also helpful.

Create a plan

Stress the importance and benefit of an estate planning conversation to your loved ones. A poorly written estate plan can have significant negative consequences for your family.

Get our Conversation Starter Kit

Involve everyone.

Creating a comprehensive plan requires more than just legal documents and forms. You'll want to consider the various needs of your loved ones, the causes you are passionate about, and the potential tax consequences that may affect your plan.

To bring all the pieces together, you need to engage your family, loved ones, and trusted professionals in the conversation like a CPA, attorney, or financial advisor. It's important to make sure everyone has the knowledge and awareness to help reach the goals you've established.

Address important issues.

Talking about what happens with your assets after your death, or if you're unable to make decisions on your own, can be a difficult topic for many, but it is very important. A complete plan can help:

- Preserve an estate for the benefit of heirs
- Maintain control over the distribution of assets
- Reduce—or potentially eliminate—estate taxes
- Designate someone to act on your behalf should you become incapacitated
- Protect your privacy by avoiding probate
- Name an individual or entity to manage estate assets
- Provide a plan for payment of estate taxes and help beneficiaries cover immediate and future financial needs

Identify your goals and objectives.

- Think about what's most important to you and your loved ones.
- What is driving you to create your plan?
- Is there a family member or loved one you want to care for?
- Do you want to help your children? Grandchildren?
- Do you want to promote education?
- Are you hoping to pass down specific family values or protect your assets from potential claims or divorce?

All of these considerations will affect your decisions.

Distribute your assets.

Your attorney will review your options and help you address three general topics:

1. Who will receive a portion of your assets?
Will you leave some assets to certain people? Will you set aside any funds for charitable giving?

Explore all the options by creating a detailed family tree. When considering blended families, you should be careful to include other loved ones or address those whom you may not want included.

2. What will they receive?
Will your heirs or charities receive a certain sum of money, a specific percentage of assets, a particular collectible, or something else, such as college tuition or paying off a mortgage?

3. When will they receive it?
Will it be at your death or the death of your spouse; when a family member reaches a certain age; or once your heirs attain a specific goal, such as college graduation or marriage?

Plan for medical costs.

Rising medical expenses, declining employer-sponsored medical coverage, and possible shortfalls ahead for Medicare all combine to make health care expenses a challenge.

Planning ahead for long-term care is important. It can be expensive, but the right insurance may help offer you and your family some assurance that medical events won't derail your plan.

Make longevity planning, health care, and caregiving part of your plan.

You may need to hedge against rising costs and plan for your family's well-being in the event of your untimely death or disability. Life and accident insurance can be an important part of protecting what you have.

Don't forget to include retirement savings in IRAs, Roth IRAs, 401(k)s, and 403(b)s in your asset protection plans.

Remember: A contract on an account, like a beneficiary form or a transfer-on-death designation, takes precedence over your will.

Our Aging Well guide can help you and your loved ones plan for the unique needs that come with growing older.

Create a will.

Your will establishes your wishes, and provides direction on how they should be executed after your death. If you don't document your preferences, it will be left up to the courts to decide how your property will be distributed. Prepared with the help of an experienced estate planning attorney and, depending on your state of residence, perhaps witnessed by impartial individuals, this is a basic but very important document.

What is the role of a personal representative?

He or she will work with your attorney — and potentially the court system — to ensure the collection and disposition of your probate assets to the appropriate people. The personal representative is also responsible for collecting the deceased's assets, paying bills, submitting tax returns, and submitting and petitioning for court documents. In some jurisdictions, this person may be referred to as an "administrator" or an "executor."

You should discuss the roles and responsibilities of the personal representative and confirm that he or she is willing to accept the commitment.

Four key things your will can do

1. States how you wish your probate property to be distributed at your death, and to whom.
2. Names a personal representative for your estate.
3. Designates a guardian for your children.
4. Provides for the payment of the costs incurred in settling your estate.

Create a trust.

One of the more overlooked wealth planning strategies involves the use of a trust. This valuable planning tool can be established now or may be created by your will at your death. If you have a vision for your legacy — or if you have specific wishes or a more complicated family situation — a trust can be a good tool to help meet your specific needs.

Advantages of a trust.

- Preserving assets so your loved ones or favorite charity will receive the most of what you are able to leave behind
- Avoiding the cost, publicity, and delay of probate and helping to ensure that your heirs have timely access to your assets
- Potentially reducing, delaying, or eliminating potential estate taxes
- Managing and distributing assets during periods of incapacity
- Potentially allowing a trustee to reallocate distributions according to the changing needs and dynamics of your family—as long as the conditions set forth are met. Language can even be included to accommodate "if this, then that" situations.

Involve your family.

Having discussions with your family early on — either one to one or as a group — can help you take a true measure of your family's needs and wants, and can help you structure your trust so they are taken care of fairly. The process can even help strengthen relationships and thus minimize future conflict.

Involving family in the choice of a trustee is also important. Your trustee needs to be impartial. Having a family member as a trustee may not be the best choice. Given the trustee's complex responsibilities, some people may consider naming a corporate trustee, such as a bank trust department or a trust company, that can perform the duties of a trustee. Creating support among your family for whomever you designate can help ensure that your wishes will be carried out smoothly.

One reason families use trusts is to transfer property privately. A trust can be set up so the property within it doesn't have to go through the time and expense of probate court. This may be particularly important if you own property in more than one state, because your family could have to go through probate in each state.

Choosing a guardian to care for your loved ones

A primary objective for many people is to provide for the continued care of minor children, adult children with special needs, and loved ones. One of the most important steps in this process is selecting a guardian.

They will be legally responsible for the children's personal and property interests. You can choose an individual or an entity.

You may designate different parties for the specific responsibilities of raising your children and for managing their assets.

The criteria for a guardian likely vary from individual to individual. Parents should discuss their criteria and considerations carefully to ensure they agree on the choice of a guardian.

Learn more about this very important part of your plan at Fidelity.com/guardian.

Follow through

After you have signed your documents, your attorney or financial advisor can help you with the follow-up steps required to complete your estate plan. This may involve retitling assets between you and your spouse, and completing or amending beneficiary designations. If your attorney has created any trusts as part of your plan, retitling assets in the name of the trust may be required.

Keep your documents safe.

Store your estate plan document in your attorney's office or a fireproof place such as a bank safety deposit box. Make sure someone close to you can access it in the event of an emergency. Your health care proxy, HIPAA release, organ donor form, and living will are also critical documents to be kept in a safe place where they can be quickly accessed. Many families today use virtual safes, like Fidelity's FidSafe®, with its secure, online capabilities that allow them to store copies and share them easily.

Review your plan regularly.

Have the estate planning documents reviewed no less than every three to five years. You should also consider a review when major life events take place, including marriage, the birth of a child, divorce, the death of a spouse or child, moving or relocating, or the receipt of an inheritance.

Have a family conversation.

A recent study discovered that 70% of families felt they lost control of the distribution of their assets and experienced strained relationships after a wealth transfer event.* If you don't discuss and involve loved ones in the planning process, you risk confusion, misinterpretation, and family discord. An open dialogue may reduce this risk and strengthen family harmony and communication.

This conversation may be difficult to initiate. There is certainly more than one right way to begin it. For thoughts about this, see our guide, *How to Have the Legacy Conversation*.

About Fidelity's FidSafe®

A FidSafe account is a secure way to organize, store, and share important documents with people you designate.

Learn more at FidSafe.com.

FidSafe is a service of XTRAC LLC, a Fidelity Investments company.

*Survey by The Williams Group.

Use these conversation tools to help break the ice on discussions about your financial future.

P

Priorities:

Know what your goals are.

Is your priority education, volunteering, philanthropy, a desire to support children and grandchildren? Do you have multiple goals?

R

Readiness:

Know your financial situation and anticipate unexpected expenses.

Review financial plans. Understand key areas such as current income sources, monthly expenses, and medical costs and coverage.

E

Estate Plan:

Make sure essential estate planning documents and strategies are in place.

How would you like things to be handled should you become incapacitated? What goals do you have for your assets?

P

Papers:

Know where important documents are kept.

Keep a list of important documents, contracts, and account statements in case of emergency, and store them in a safe place for easy access by your family members.

Additional things to think about

Family First

Who are the individuals you want to secure with your savings and assets?

Education

Do you want to contribute to your children's or grandchildren's education funding?

Children

Do you want to provide any financial assistance to your children, and/or grandchildren?

Assisting Parents and Relatives

Are your parents living and do you assist them financially?

Health Care/ Long-Term Care

How will health care and long-term-care needs for your family factor into your overall plan?

Incapacitation

Who will make the critical decisions to help protect your family if you are unable to communicate your wishes?

Philanthropy

What kind of support do you want to provide for the causes that are important to you and your family?

Wealth Transfer

What are the strategies and tactics that are available to help ensure the smooth transition of your wealth?

What's next?

Now is the time to take action to help ensure that your savings and assets are positioned properly, so you can feel secure in your plan to care for your loved ones in the future. Your Fidelity investment professional can help you assess where you are in your planning process, and work with you to develop actionable next steps to help you reach your goals.

Call your Fidelity investment professional today to learn more about asset protection for your family.

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