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Financial Briefs

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Estate-Planning Checklist

Many people assume that estate planning is only for the wealthy, inadvertently causing complications for families after their death. Contrary to popular belief, estate planning isn't just about money or family heirlooms; there is far more at stake, including the welfare of your loved ones. As unimaginable as your sudden demise may seem, *you need a strategy in place*. With appropriate planning, your family can grieve properly without worrying about complicated financial matters, living arrangements, unexpected taxes, or even funeral costs and preparations. Here are the most important steps you should take now to protect both your loved ones and your assets:

Prepare a last will: The first and most imperative step is to have a last will and testament prepared, specifying the following: 1) Your heirs; 2) The executor who will implement your instructions; 3) The designated guardian who will act as caregiver of your minor children; and 4) The guardian who will manage assets you leave to minor children. Consider working with an estate-planning attorney to assure this essential document is correct, as even the most seemingly insignificant errors can alter your will's intent.

Name a durable power of attorney: Don't confuse this with the executor of your last will, although you can certainly designate the same person to serve as both. A durable power of attorney is the person you choose to oversee your finances should you become either temporarily or permanently incapacitated. He or she will manage your bills, bank deposits, medical benefits, and insurance when you are unable to do so.

Establish a living will/health-

care directive: Just as you must consider your inevitable death and its financial implications, there is also the unfortunate chance of becoming either temporarily or permanently unable to make your own medical decisions. In a living will, you define your medical preferences such as whether you wish to remain on life support. You should also designate a healthcare proxy (also referred to as a medical surrogate),

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Having the Talk

Take a moment and pretend your older sister and her husband pass away unexpectedly, leaving their three young children behind. You are called into their lawyer's office immediately. You learn that you and your husband were named guardians of your three nieces and the family dog. While you love your nieces, your life just changed in the blink of an eye. You went from being a professional, childless, young couple in a condo to a five-person family with a dog and a two-story home. Situations like this don't just happen in movies — they happen to people in real life, and not as infrequently as you might think.

Now imagine you are the parents of those three children. What if your younger sister and her husband weren't able (or willing) to care for your children? What if they decided to pass guardianship on to the next person; or worse, what if the children had to go live in foster care? Or what if your sister and her husband accept guardianship of your children, but move them into that condo in the city? These conversations are absolutely critical if you have dependents.

In many families, finances and estate talk are taboo. Talking about what will happen after a person dies can be painful and scary, but neces-

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Estate Planning

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who advocates on your behalf to ensure your medical instructions are carried out.

Choose your beneficiaries: Be sure to set up or revise the beneficiaries on your savings and checking accounts, life insurance policies, retirement plans, and even stocks, bonds, and brokerage accounts, particularly so they align with your will. Understand that because a named beneficiary on an account will override your will, people can unknowingly disinherit a loved one. You can prevent these unintended mishaps by reviewing your beneficiaries in accordance with your will.

Familiarize yourself with estate tax laws: The last thing you want to leave for your heirs are the unexpected federal and state taxes associated with estates and inheritances. While your heirs are not required to pay income tax on their inheritance, estate taxes levied against your total wealth — which occurs prior to any distributions — could dramatically impact what your beneficiaries or chosen charities receive. Careful review of your assets along with strategic planning can protect your legacy.

Consider life insurance: If you're married, have minor children, or even a disabled adult child, life insurance is a great way to assure your loved ones continue to receive financial support in the event of your death. Properly structured, beneficiaries can receive the life insurance proceeds with no income- or estate-tax ramifications. You can also consider life insurance as a supplemental source to help offset any levied estate taxes.

Think about funeral and final arrangements: Do you plan on donating organs? What type of funeral service do you envision? Why burden family with such difficult decisions when you can plan ahead by preparing a written document specifying instructions for the disposition of your body and funeral service

Emotional Issues That Prevent Estate Planning

Many people have a difficult time planning their estate. There are many issues that must be faced to prepare a will or a trust; and for some, these issues can become emotional hurdles. You need to acknowledge these emotions and accept that this is just part of the process.

Facing mortality — Death is not something anyone wants to talk about, but it is inevitable. Some are so superstitious they feel that even saying the word death might cause it to happen. There really isn't a solution to your fears, but you can at least be reassured that by developing a plan, you will be taking care of your loved ones.

Not being in control — Many think of estate planning as relinquishing control of their assets, when it is actually quite the opposite. Developing a will or a trust will ensure that your assets will be handled exactly the way you want. There are approaches to developing an estate plan in which

you can maintain control while protecting your assets.

Family decisions — Depending on your family's situation, there are many decisions to be made that can cause family friction. Who should be the executor? What should you leave each family member? Who is best suited to take over the family business? Does one child need more financial help than others? Should all your children be treated equally?

These are difficult issues, but keep in mind if you don't make them, you could leave your family with a mess to deal with and the potential that your family could be torn apart by arguing over your estate.

Costs — Costs to develop an estate plan will vary depending on your family's situation. Think of your estate plan as a gift to your family and peace of mind for you that your final wishes will be carried out. Make sure you have a full understanding of the costs before proceeding with the development of the plan. ■■■

preferences?

Protect your business: Owning a business can significantly complicate your estate, as any accrued assets won't necessarily transfer to spouses or beneficiaries without proper directives. Likewise, if you share a business, make sure you have an arranged buyout agreement, which among several other scenarios plans for the event of your death.

Set up a trust: The larger the value of your estate, the more you should consider setting up a trust. Similar to a last will, a trust allows you to designate financial beneficiaries and even a guardian for minor children, with three important advantages over wills: 1) Assets retained through a trust are not subject to probate, therefore allowing for faster distributions to loved ones or cherished organizations; 2) Unlike wills, trusts are not considered

public documents, providing the added benefit of privacy; and 3) You can place special conditions on your legacy, such as when it should be dispersed and how it can be spent, which may be more beneficial for young-adult recipients or irresponsible heirs.

Store your documents: Make sure your power of attorney or executor has quick and convenient access to your important paperwork: wills and trusts, life insurance policies, bank and retirement account statements, certificates of other assets, mortgage paperwork and real estate deeds, and debts. The last thing you want is for your family to be unable to locate an important document.

To get started on a plan immediately or review your current plan, please call. ■■■

Having the Talk

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sary. It's important to talk with your loved ones about what you want, what they want, and what is laid out in your will.

4 Tips to Help You Have the Talk

- **Keep it light** — Having this discussion can bring up a lot of emotions for your loved ones; thinking about losing someone you love so dearly is painful. So keeping the conversation light but to the point can help keep it on track and productive. There may also be tensions that arise through the process — maybe multiple people want the same thing, or someone gets offended by how you've decided to split your money. You might consider conversing with people individually to avoid upset.
- **Talk openly and honestly** — A decision you have made may hurt someone's feelings, or there may be things you don't want to tell people about, but it is crucial to be open and honest with your beneficiaries.
- **Discuss values, not just valuables** — When you die, how do you want people to remember you? What parts of you do you want to live on? This may include traditions, values, family names, rituals, religious beliefs, and so on. This is an important matter to bring up during discussion with your family. Think back on times that meant a great deal to your family or traditions that have brought joy. Maybe it's important to you to have your grandmother's name passed on from generation to generation. Talk about these things with your family to share how you feel and see how they feel.
- **Have a professional present** — Having your estate planner present can be helpful, and in some cases, necessary. Many times, a professional has a better understanding of how estate planning works and can assist by answer-

Distributing Your Estate to Grown Children

When your children were young, your primary concern was probably how to provide for them in the event you and your spouse died. Even though they may now be grown, your children are probably still the center of your estate plan. Just because they are adults doesn't mean you have to leave their entire inheritance to them outright. Consider these factors first:

- **Do you want to distribute your estate gradually?** If substantial assets are involved, you may want to set up trusts to distribute your assets gradually, such as in thirds when each child reaches age 25, 30, and 35. You can always give the trustee power to make early distributions for specific circumstances.
- **Have you selected a trustee carefully?** If trusts are involved, you want a trustee who is impartial and will deal fairly with all your children. Think twice before naming one of your children as trustee. One sibling in a position to decide what happens to another sibling's inheritance can cause disagreements.
- **Have you thought about the consequences of a child divorcing?** You probably don't want a portion of your assets distributed to an ex-daughter-in-law or ex-son-in-law, so special provisions may need to be added.
- **Have you considered how assets will be distributed among children?** Perhaps one child is better off financially than your other children. Do you divide your estate equally or give less to the financially well-off child?

Children often feel a right to an equal share of their parents' estate, even if they have a substantial estate of their own. If you decide to make unequal distributions, be sure to explain why personally or in a letter left with your estate-planning documents. Hopefully, this will prevent hurt feelings or disagreements among siblings.

- **Do you need to make special distributions to even out inheritances?** Perhaps you have paid all college costs for some children, while other children have not attended college yet. You may want to ensure that all children receive a college education, and then distribute the rest of your estate equally.
- **Should you coordinate your estate plan with your children's estate plans?** If your children have substantial estates of their own, it may not make sense to leave additional assets to them. They may prefer those assets go directly to their children, helping to minimize family estate taxes.
- **Have you explained the need for estate planning to your children?** Especially if you are leaving a substantial estate to your children, they may need to plan their own estates. You don't need to dictate what they should do with their estates, but gently remind them why they need an estate plan. After major life events, such as marriage, divorce, or a child's birth, remind your children to revise their plans. ■■■

ing any questions your loved ones may have. You might have a family-only conversation first and then a second conversation with your family and the estate-planning professional.

Like any important discussion, this talk may be difficult. The best

thing you can do is take into account who you are speaking with and how you want to present the topic. Every family is different and every talk will be different, but make sure you have it. Please call if you'd like to discuss this in more detail. ■■■

News and Announcements

From the Flinton Household

"Samantha, I just love it when you're happy."
~ Emerson Flinton

It is that tenuous time of year when everyone is ready for summer break, but summer break means another precious year of my daughters' youth has flown by. I find myself watching them run and play in the yard, and can't help but realize how much fun life is with grade-school children. They are old enough that their personalities are starting to blossom, and young enough that real life stressors and drama aren't even on the radar.

Last month, I was asked to come to the girls' school to speak at their weekly chapel. I was there on behalf of an organization I'm involved with, and it may have been one of the more nerve-wracking speeches I've had to give. Pre-k through 5th grade. At your children's school. Not sure if it gets much tougher than that. I was reminded, mid-speech, that you don't ask rhetorical questions to a group of elementary kids. I was also reminded how intuitive and receptive children are. To come and share with them my own story of trials and tribulations, and how life-changing a simple act of kindness can be, was one of the highlights of my month. As I was trying to convey an important life lesson to them, I couldn't help to realize that maybe I, too, needed to hear the message — that each of us can change someone's life, maybe even their eternity, with a simple act of kindness, and a simple show of love.

Make it a great month,

Andrew Flinton, CFP®

From the Rudy Household

My role on the local school board takes me to the Texas State Capitol in Austin frequently to meet with state legislatures regarding school finance and related items. I have always wanted to take the girls for a visit to the Capitol, but the timing has not worked out until recently.

A few weeks ago, our entire family was in Austin. We had three unplanned hours and decided to use that time to visit the Capitol. It was a perfect time because the legislators were in session and the building was bustling.

After getting through the security line, we headed to the House Chambers. We were in luck, because they were actually meeting. After about 20 minutes, they adjourned, so we headed over to the Senate Chambers just to take a look. Once again, our timing was excellent.

They had just called their meeting to order. We then walked the halls of the Capitol and even grabbed a few souvenirs at the gift shop. While waiting in a hallway, the governor came passing by.

I kept impressing on the girls how fortunate we were to see so much with such little and unplanned time. I do think they enjoyed it because they initiated the family picture in front of the Capitol building.

Chad Rudy, CFP®

From the Bolander Household

Spring time is invigorating! Now is a great time to get outside and soak up the warm sunshine while enjoying a favorite activity. I like diggin' in the dirt: planting flowers or vegetables, raking off the winter coverings, or hacking back the grass that has crept into the beds. The aroma of the freshly turned soil and the contrast of the vivid flowers or deep green plants against the monochrome land is therapeutic. As far as vegetables go, we only have tomatoes in pots. Some years they produce like crazy and other years not so much. When I need a real hole dug for shrubs or trees, I recruit my husband, John, to help — he's usually not as enthusiastic about it, though. To each his own...

Another spring-time activity I enjoy is dressing the grandkids in their new Easter outfits and having their pictures made. They don't seem to mind it (they're just 8 and 3, and too young to protest much yet) but I have a harder time recruiting other grownups to help after they've done it once. I remind them it is easier as the kids get older. Oh well...

Though it's still too early for harvesting my tomatoes, the next time you're in the office, I do have some adorable pictures to share!

Have a great month!

*Brenda C. Bolander,
CFP®, CPA/PFS*