

# 4 Reasons Estate Planning Is So Important

It's all about protecting your loved ones

It seems like many people devote more time to planning a vacation, choosing a car to buy, or even selecting a spot to eat dinner than they do to estate planning—deciding who will inherit their assets after they're gone. It may not be as fun to think about as booking a trip or checking out restaurant reviews, but [without estate planning, you can't choose who gets everything](#) that you worked so hard for.

Estate planning isn't only for the rich. Without a plan in place, settling your affairs after you go could have a long-lasting—and costly—impact on your loved ones, even if you don't have a pricey home, large IRA, or valuable art to pass on. [Not convinced that an estate plan is necessary?](#) Consider these four reasons why you should have one and avoid potentially devastating consequences for your heirs.

## KEY TAKEAWAYS

- If you want to choose who will inherit what among your possessions and valuables, you need do some estate planning.
- Estate planning also affords you the chance to name your children's guardian in the event of your early death.
- Reducing taxes on what you leave behind is a common estate-planning goal.
- Estate planning minimizes the chances of family strife and ugly legal battles.

## 1. An Estate Plan Protects Beneficiaries

If estate planning was once considered something that only [high net worth individuals](#) needed, that's changed. Nowadays many middle-class families need to plan for when something happens to a family's breadwinner (or breadwinners). After all, you don't have to be super-rich to do well in the stock market or real estate, both of which produce assets that you'll want to pass on to your heirs.

Even if you're only leaving behind a second home, if you don't decide who receives the property when you pass away you won't have any control over what happens to it.

That's because the main component of estate planning is designating heirs for your assets, whether it's a summer house or a stock portfolio. Without an estate

plan, the courts will often decide who gets your assets, a process that can take years, rack up fees, and get ugly. After all, a court doesn't know which sibling has been responsible and which one shouldn't have free access to cash. Nor will the courts automatically rule that the surviving spouse gets everything.

If you die without a [will](#), which is a vital part of an estate plan, the courts will decide who gets your assets.

## 2. An Estate Plan Protects Young Children

Nobody thinks of dying young, but if you're the parent of small children, you need to prepare for the unthinkable. This is where [the will portion of an estate plan](#) comes in.

To ensure that your children are cared for in a manner of which you approve, you'll want to name their guardians in the event that both parents die before the kids turn 18. Without a will that names these guardians, the courts will step in to decide who will raise your children.<sup>1</sup>

## 3. An Estate Plan Spares Heirs a Big Tax Bite

Estate planning is all about protecting your loved ones, which means in part giving them protection from the Internal Revenue Service (IRS). Essential to estate planning is transferring assets to heirs with an eye toward creating the smallest possible tax burden for them.

Even just a bit of estate planning can enable couples to [reduce much or even all of their federal and state estate taxes and state inheritance taxes](#). There are also ways to decrease the income tax beneficiaries might have to pay. Without a plan, the amount that your heirs will owe Uncle Sam could be quite a lot.

## 4. An Estate Plan Eliminates Family Messes

We've all heard the horror stories. Someone with money dies and the war between family members begins. One sibling may think they deserve more than another, or one sibling may think they should be in charge of the finances even though they're notorious for racking up debt. [Such squabbling can get ugly and end up in court](#), with family members pitted against one another.

Stopping fights before they start is yet another reason [why an estate plan is necessary](#). This will enable you to choose who controls your finances and assets if you become mentally incapacitated or after you die and will go a long way toward quelling any family strife and ensuring that your assets are handled in the way that you intended.

It also will help you make individualized plans, if necessary—to arrange for a child with health problems or to set up a trust for one who might be better off not inheriting a lump sum. It can also help you give more to the child who did most of the work of caring for you in your later years or less to the one whose extensive education you funded while paying far less for their siblings.

Deciding [whether to divide your estate exactly equally](#) is one of the key tasks you need to think through. And, of course, if you've had [more than one spouse](#)—or have children from more than one family—an estate plan is urgent.

## The Bottom Line

If you want your assets and your loved ones protected when you can no longer do it, you will need an estate plan. Without one your heirs could face big [tax burdens](#) and the courts could designate how your assets are divided—and even who gets to raise your children.

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