

7 Questions Women Should Ask to Avoid Estate Planning Pitfalls



Across more than a decade of experience as a tax and estate planning attorney, Capital Group wealth strategist Leslie Geller witnessed too many sophisticated, highly educated women still end up stuck in difficult financial situations following the death of a spouse or a divorce.

The culprit? Not enough attention paid to their estate planning details.

Most wives outlive their husbands, yet only one-third of married women indicate being responsible for long-term financial decisions.¹ Considering that eight in 10 women will become solely responsible for their financial well-being at some point in their lifetimes,¹ Geller set out to help them avoid the most common pitfalls she saw.

What she found is that besides it being a potentially uncomfortable topic, the reason most women don't dig deeper into their estate plan with their spouse is quite simple — they don't know what questions to ask.

In a recent webinar entitled *Women: Be Prepared. Be Empowered.*, Geller shared the most important questions to ask your financial advisor about your estate plan.

01 | Know Your Assets: What is mine, what is my spouse's, and what is shared?

Avoid conflict with other beneficiaries, especially in a blended family, by preparing a balance sheet of what you own as a couple and what you own separately. Know the marital property laws in your state and be sure assets are titled properly to reflect separate individual assets (such as distributions from an inherited trust) versus shared assets (such as the family home).

02 | Know Your Debts: What does my spouse owe, and what do we owe together?

It is as important to understand ownership of debt as it is to understand ownership of assets before a death or divorce. For example, you could be liable for your spouse's business debt, even if it is in his name alone, just by being married to him. Avoid surprises but asking about his debts and your potential liability based on laws in your state.

03 | Know Your Plan: What do our estate plan documents provide?

Your estate plan may include a marital trust. Avoid conflict by understanding who the trustee will be, whether you will have the ability to replace the trustee and what distribution limitations will be in place. It is crucial to have

trustees (and other fiduciaries) who both you and your spouse can absolutely trust to carry out your desired plans. Also, understand the assets that will fund the trust —not just the percentage of assets you expect to receive. For example, what will happen to your primary residence? What about your vacation home? Will the trust provide enough liquidity to maintain the properties it owns? It is not uncommon — even among affluent families — for a lack of understanding and planning around these types of details to lead to family conflict and financial difficulties.

04 | Know Your Runway: Will I run out of money?

Feeling confident you will have enough to support your lifestyle comes from understanding not just the family balance sheet but also the composition of retirement accounts and other investment portfolios it comprises. Avoid outliving or outspending your assets by learning everything you can about your family investments, whether there's enough liquidity to cover ongoing expenses, and the tax implications of selling investments to maintain liquidity.

05 | Know Your Obligations: What is my spouse's claim to my assets if we were to divorce?

Plenty of women are the primary earners in their family — which means you could face potential alimony obligations to a spouse upon divorce. Even the strongest of marriages can benefit from a “post-nuptial agreement” that documents marital property, whose income finances it, and who is entitled to what in the event of a divorce. Be sure to update this agreement as your financial picture evolves.

06 | Know the Business: What are your rights to business interests?

Say your divorce agreement entitles you to half of your spouse's earned wages — what about wages that were deferred or reinvested into a business? Set expectations for division of business equity in the event of a divorce and discuss whether business ownership documents should be changed to reflect your ownership interests upon your spouse's death or a divorce.

07 | Know Your Return: Am I comfortable with my joint tax return?

Never sign a joint tax return without fully understanding the contents and risk levels — you could wind up liable for your spouse's back taxes or penalties even if you weren't aware of any wrongdoing. Don't be afraid to seek out your own accountant to review joint documents and represent your own interests.

Estate planning is not usually top of mind as couples go about their busy schedules. Plus, couples in strong marriages may not think about how they'll split assets when a divorce is entirely unforeseen. But seeking the help of a trusted financial advisor who understands what details should be covered in your estate plan now — rather than when emotions are running high following a death, divorce or other major life event — can lead to better outcomes for both partners.

For more advice on this subject, listen to our [recent webinar](#) and reach out to us for help.



DISCLOSURES

¹ UBS. *Own your worth 2021: Building bridges, breaking barriers*, retrieved from <https://www.ubs.com/global/en/media/display-page-ndp/en-20210506-own-your-worth.html> on November 22, 2021. For this publication, UBS surveyed 1,501 investors (493 women and 1,008 men) from January 26 – February 1, 2021. Those between ages 25-30 had at least \$250k in investable assets, those 31-39 had at least \$500k in investable assets and those 40 and older had at least \$1M in investable assets. All data included in the report is based on UBS proprietary research unless otherwise noted.

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