

Financial, Legal, and Tax Checklist for a Terminally Ill Person

Nobody likes to deal with financial, legal, and tax in the final months of life. However, it is important to address them. While the person is alive, he/she can provide information and instructions. The person's final wishes can be determined and documented. Income taxes can be saved, probate avoided, estate taxes reduced, and a host of other advantages make a financial and legal review absolutely necessary at this time.

Preliminary

Discuss the time table with the health care providers.

Assess the person's mental capacity.

Determine living arrangements for the time left: home, hospice, hospital, or nursing home.

Determine who has authority to make health care and end of life decisions from the medical directives and who has financial authority from the power of attorney.

Financial Advisor, Attorney, and CPA

Create a list of financial and legal professionals who may have information and input.

Communicate to the advisors the state of the person's illness.

Set a conference call or meeting with the advisors to discuss available financial strategies, tax issues, gifting, and other financial considerations.

Final Cost of Care

Create a budget for the expenses of the final care.

Create a budget for the funeral cost.

Legal Documents

Locate the following documents and review them to determine if they exist and adequately reflect the person's final wishes. Determine who is listed as the health care agent, financial agent, executor, and trustee. Determine if there are any special instructions or outstanding issues to be addressed or finalized.

- Last Will & Testament
- Trust Agreements
- Power of Attorney
- Health Care Directives and Living Wills

- Business Agreements and Buy -Sell Agreements
- Prenuptial Agreements
- Contracts

Key Information

Obtain the following information from the person or the records to make the estate administration easier when the time comes.

- Location of the safety deposit box and key
- Combination to any safe
- Copy of three years of income tax returns
- Passwords to access computer programs
- Keys to the cars, house, security codes, and passwords
- Latest bank and investment account statements
- Titles and leases to all vehicles
- Payment books, leases, and mortgages
- Deeds to residence and any other real estate properties
- Copies of all life insurance policies, annuities, IRAs, or employee benefit plans
- Determine arrangements for pets

Assets and Liabilities

Make a detailed list of assets and liabilities. On the assets list include account title, location, account number, and approximate value. On liabilities list include account name, account number, amount due, monthly payment, and amount outstanding.

Asset List

- Personal property
- Bank accounts
- Investments, stocks, and bonds
- Loans to family members
- Business assets
- Real estate
- Retirement accounts, IRAs, and profit sharing plans
- Life insurance and annuities

Liability List

- Loans
- Credit cards
- Leased cars
- Mortgages
- Current monthly bills
- Estimated tax payments

Titles and Beneficiary Designation Forms

It is important to identify how each account or asset is titled to determine whether it will go through Probate and who will get the assets. For example, assets in single name go through the Will. Assets in joint name, trust name, payable on death (POD), or transfer on death (TOD) pass outside of the Will. It is also important to determine the beneficiary on IRAs and life insurance. Once this information is gathered, discuss the legal and tax implications with the professional advisors.

Financial and Tax

It is important to have a meeting or phone conversation with the tax advisor, estate attorney, and financial advisor. There are deathbed gifts, transfers, and financial changes that may save the family money and taxes at the passing of the terminally ill person. Changes may be made to take advantage of these opportunities. For example:

- Have IRA required minimum distributions been made for the year?
- Should deathbed gifts be made to reduce federal or state estate taxes?
- Should contributions to 529 Plans for children's or grandchildren's college education cost be funded prior to death?
- Should a Roth IRA conversion be considered?
- Should income or deductions be taken prior to passing?

Funeral Arrangements

- Discuss funeral arrangement with the person.
- Consider memorials and charitable donations.

I hope this helps you with your retirement planning, estate planning, tax planning, and financial planning journey. Let me know if I can be of assistance. I welcome the opportunity to be a part of your team.

John B. Cornetet