

## Blog 1: Estate Planning Essentials: Mistakes of the Rich & Famous

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As Benjamin Franklin once said, “There are only two certain things in life: death and taxes.” Despite how many efforts you make to stay healthy and avoid foolhardy situations, you just can't avoid the former. There are, however, proactive steps that you can take to minimize the latter with the coordinated help of a comprehensive financial advisor alongside tax and legal professionals as needed to meticulously plan your estate. Even the rich and famous have made grave mistakes (no pun intended) with estate planning, as you will see over the course of this three-part blog series.

### Why Is Estate Planning of Importance?

While you may not believe you have an “estate” like the rich and famous, we feel there are essential planning and legal documents needed by all adults to help ensure their wishes and intentions are carried out to their intentions, as well as to provide for care for their loved ones.

### What is Probate, and Why Should It Be Avoided?

Probate is the process of establishing whether you left behind a will dictating your last wishes and determining what should be done with your estate's contents.

#### Key reasons you want to avoid allowing your estate going to probate court:

- **Time.** Probate can tie up your assets for over a year.
- **Expense.** Court costs and attorney fees can consume anywhere from 2% to 5% of your estate's value.
- **Publicity.** Even if you're not well-known or a public figure, the probate court process is a matter of public record. If you value your privacy and don't want your assets and affairs aired publicly after your death—which may potentially cause your loved ones distress—you will want to avoid probate.

### Wills

A will, short for "last will and testament," is the legal document that states your final wishes. In addition to naming beneficiaries for your assets after your death, you can do many other things with a will. This includes appointing an executor of estate, naming guardians for your children, giving instructions on providing for your pets, dictating how taxes and debts will be resolved, and setting healthcare directives if you become incapacitated. Business owners should also have wills to ensure that operations continue after their death.

### Estate Planning Mistake #1: Not Having a Will

The late singer-songwriter Prince died without a will in 2016, and his estate was estimated to be valued between \$150-800 million.<sup>1</sup> He was known for taking a stand against the recording industry for giving artists a raw deal, which makes it tragic that his unpublished albums—allegedly hidden in a vault—are being released starting in 2017. According to USA Today, Warner Bros. and NPG Records claim that plans to release *Prince4Ever* and a deluxe remaster of *Purple Rain* were already underway and approved by Prince before he died.<sup>2</sup> Prince was also known for being extremely generous, and he likely would have wanted his voluminous assets to go to many charities and individuals; he might have even set up a foundation to be run by other philanthropists he trusted. Instead, his assets are now tied up in probate for the courts to distribute.

### Planning Takeaway:

Prince's missed opportunity to turn intentions into execution is just one of many examples why you need to create a will as a part of your estate planning essentials. You don't know what may happen in the future, and you do not want a legacy vanishing or going to the wrong people. Prince certainly wasn't alone in making what is perhaps the most common estate planning mistake. According to Forbes, it has been estimated that anywhere from **55% to two-thirds of Americans do not have a will**, a fact that has been borne out with public figures over the years, including Sonny Bono, Howard Hughes, Barry White, and even Abraham Lincoln (former attorney)!<sup>3</sup>

At Cloud Investments, LLC, we believe a consistent and coordinated effort between your financial, tax and legal professionals is key to your comprehensive financial success. Check back for our next post as we discuss trusts: when and how do they fit in your financial plan? To learn more about how we can be of help in developing and coordinating a comprehensive plan, contact us at (256) 715-0094 today!

**Want to learn more? Contact us to receive our latest white paper: *5 Estate Planning Mistakes Made by the Rich & Famous and Strategies to Help Avoid Them!***

**Sources:**

1 <http://www.thelegalartist.com/blog/why-prince-didnt-leave-a-will>

2 <http://www.usatoday.com/story/life/music/2016/10/21/2-new-prince-albums-coming-prince4ever-purple-rain/92514238/>

3 <http://www.forbes.com/sites/trialandheirs/2012/12/04/are-you-better-prepared-than-abraham-lincoln-was/#6b028c843278>

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