

7 Estate Planning Things You Must Do in the Time of Coronavirus

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–Debra Taylor, CPA/PFS, JD, CDFA

If you get sick and require hospitalization due to COVID-19, you will be immediately isolated from family. So the time to finish up any unresolved advance planning and organization is now.

Self-isolation and quarantines have given rise to unique problems and a new way of thinking. With a global pandemic and health and wellness becoming a huge priority in people's lives, it seems like a good time for all of us to reflect on our preparedness for the future and to confirm that our families are well protected in case of sickness or even worse.

This is all the more important because if you are hospitalized due to COVID-19, you will be immediately isolated from any family, meaning you need advance planning and organization. Keep everyone in the loop and make sure your wishes are heard through the chaos. Let's review tried and true principles as well as some new directives for estate planning in the age of coronavirus.

1. Get your documents in order

Make sure your estate plan is up-to-date and reflects your current wishes. This suggestion would seem obvious, but it is often neglected. Until now. Use these difficult times to get your house in order. Additionally, passage of the Tax Cuts and Jobs Act of 2017, and more recently, the SECURE Act means you should have been updating your estate planning documents for financial reasons, and now we have health reasons, as well.

Start by performing an inventory and collect the documents in one place (whether it is a digital site or an actual physical location—or even both to be safe). Make sure passwords and logins are accessible by the right people.

Those documents should include the following:

- Will
- Trust documents (for more complex estates)
- Financial Power of Attorney
- Advanced Directive/Healthcare Power of Attorney
- Life insurance policies
- Retirement plan documents
- IRA and Roth IRA documents

We will touch on these in more detail, but first, it's important to know which ones exist.

Once these documents are collected, create a "Grab and Go Package." This is an envelope that lives near the primary exit of your home and includes all your estate planning documents as well as medication and allergy information, personal information, emergency contact, and your primary physician's information.

And again, have all those documents stored digitally, and make sure that the trusted person knows how to access those documents.

Make sure you understand not only where your assets are going, but also to whom responsibilities are being delegated. If any of the above documents are missing, make a plan with a financial advisor or attorney to get them drafted in a timely fashion.

However, there is one glitch with our current circumstances: how do you get something notarized when the signee, lawyer, and notary are all self-isolating? It doesn't help that this problem is arising during a time when, being faced more directly with their mortality, Americans are initiating estate planning actions at a much higher rate.

Solutions are being worked on. When Governor Cuomo (N.Y.) declared a state of emergency, notaries were granted temporary authority to authenticate documents via video conference. Other states (Conn., Ill., Iowa, N.H., Wash.) have executive orders to allow the same. In the meantime, check your own state's laws and how they are handling this issue.

Most importantly, don't let the physical challenge of the coronavirus deter you from moving forward. Figure out a way.

2. Everyone needs a durable power of attorney

An ordinary power of attorney allows a designated agent to make decisions on behalf of an individual. What you may not be aware of is that certain types of powers of attorney can be suspended if you become mentally incapacitated (powers of attorney spring into effect upon disability).

For a power of attorney to stay in effect when you are mentally incapacitated (such as being put in an induced coma to go on a ventilator while suffering from COVID-19), you will need a durable power of attorney. Choose someone in your life that you can trust, as the document is more flexible and will be available when you need it most.

A durable power of attorney is among the most powerful documents that can be created, as it will not only allow the named agent to do everything from paying the individual's water bill to making gifts and filing and paying taxes. Different agents can be named for various roles and should be highly trusted individuals, though that does not have to mean family. Whoever is named should be aware of their appointment and willing to take on the role. And you should have a long conversation with the agent about what should happen if the power of attorney is exercised.

3. Consider a revocable trust

When most people think of an estate plan, they think of a last will and testament as the centerpiece. In reality, the linchpin in most people's estate plans is actually a revocable (living) trust. Why? Primarily, if a trust exists, many of the assets will have been contributed to the trust and therefore the estate avoids going through probate. And a living trust is nice as it provides a seamless transition, particularly if you are single or widowed.

Probate can be both expensive (attorney fees, court costs, and executor's fees), and time-consuming. When an estate goes through probate, it risks getting tied up in the courts and distributions from the estate can take months (if not longer) to actually transfer.

The trust works as a separate entity that holds all of an individual's assets (a little like being the sole owner of a corporation) while she is alive. However, at death (or if mentally incapacitated), a named "successor trustee" steps into your owner's shoes. This can be helpful in cases of the unexpected.

The trustee can be a child, friend, or professional fiduciary (i.e. a bank or trust company). This last option can be a prudent choice if you feel the need to remove beneficiaries from the process of distributing assets at death.

If you think a living trust might be good for your estate plan, talk to a financial advisor or estate planning attorney for more details.

4. Have an advanced health care directive

An Advanced Health Care Directive describes, in very specific detail, what type of life-saving intervention the individual would like and in what situations it is to be used. These documents are usually concerned with treatment in a situation where there is no expectation of a patient's recovery (severe brain damage, permanent unconsciousness, etc).

Some people opt for a Health Care Power of Attorney in addition to an Advanced Health Care Directive, which means that these decisions will be made by an individual rather than solely in accordance with a written document. If you choose this, you should select a single individual. This allows doctors to communicate and take direction from one person. Sometimes, an attorney will draft both documents together, and they are subject to state law so make sure you update these documents if you move to another state.

Any health care directive should also include a HIPAA authorization. HIPAA (Health Insurance Portability and Accountability Act) is the law that protects your medical privacy. However, in the event of an emergency, you will want to authorize an individual to receive your medical information so they can stay apprised of the situation.

This issue arises often with college-aged kids. College kids are almost all over the age of 18, which means that their medical information is protected by HIPAA. While this rule may protect privacy, it can also block parents from being able to help kids living hundreds of miles away when a medical emergency arises. Under this rule, if a student ends up in the hospital, her parent has no right to be informed of the condition of the student or even talk to the doctor. This can make for a terrifying experience and can hinder the parent's ability to help their child navigate the beast that is the American health care system on their own.

To prevent this from happening, sit down with your child and fill out three documents as soon as his or her 18th birthday rolls around: a HIPAA authorization, Health Care Power of Attorney, and durable Power of Attorney. When your child enrolls in college, make sure you fill out these documents for the state in which they are attending school so any doctors or administrators who come in contact with the document will be familiar with it. Don't forget to check if the college or university has its own form and fill that out too.

Even if your child has been sent home during the pandemic, if they get hospitalized, you may want to remind them that they are not invincible. You will be in the same boat as if they were on the other side of the country, and therefore these documents are needed for everyone. Especially with overwhelmed and overcrowded health care systems, there will be few if any spare people to deal with an issue like this on a moment's notice if it arises.

You can easily access the authorization form for any state using Google.

5. Don't forget to review and fund health care accounts

You may need access to cash flow to help pay for medical treatment and that money will likely come in two forms: health insurance and a health savings account.

Compile a list of health insurance policies and make it accessible to any individuals who will need it in case you are incapacitated. Similarly, if you have a health savings account (HSA), make sure your family is familiar with it and can access it if they must.

If you have older parents, encourage them to review their Medicare and health insurance policies. If you have children over the age of majority but still on the health care plan, make sure their paperwork is in order. By reviewing these documents now you will address any issues with health care coverage while things are still fine. Dealing with an insurance issue after someone is in the hospital is challenging and stressful during an already stressful time.

6. Update your beneficiaries and include contingent beneficiaries

We bring this up to address any contradictions between documents. As you compile your documents, you should also review the beneficiaries of trusts, 401(k) plans, IRAs, Roth accounts, pensions, and life insurance. If there are any disagreements between these documents and a will or revocable trust, you should discuss them with an advisor or attorney.

It is important to note that beneficiaries, as named on these documents, will supersede any beneficiaries of these assets as outlined in a will or revocable trust.

There may also be a good chance that no beneficiary has been named for some of these plans. A beneficiary should be named promptly if this issue is discovered, and a contingent beneficiary is also a good idea. This can come in handy if a beneficiary (say a wife) wants to disclaim the asset in favor of the children, particularly where it could save taxes.

7. Communicate clearly and get it done now

The continuing idea and final step in this process is communication. We cannot stress enough that if you are hospitalized due to COVID-19, you will be immediately isolated. Do not neglect this important area of planning and seek help from professionals if needed to move forward through the chaos.

Debra Taylor, CPA/PFS, JD, CDFA, writes on taxes and retirement planning for Horseshoeth, an independent organization providing insight into the critical issues facing financial advisors and their clients.

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