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MONEY AT WORK

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10 Things You Should Know About Estate Planning

1. Estate planning covers decisions in life and death

Estate planning lays out what you want to happen to your property at death. Who gets what and when? Do you want to leave anything to charity? Who will be the executor in charge of paying your last debts and distributing your remaining assets?

An estate plan can also explain your wishes when you have a serious medical condition and can't make decisions yourself. You name a family member or trusted friend to decide for you. You can create specific instructions, like whether you want to be an organ donor or want to refuse treatment when on life support with no chance of recovery in an advance directive. "Loved ones who have to make these decisions on their own always feel like they killed mom or dad," says Lindsay Graves, an elder law attorney and founding partner of The Graves Law Firm in North Canton, Ohio.

Careful planning can also help avoid estate planning calamities, like the wrong relative inheriting your money.

2. You need more than a will

A complete estate plan has a few documents. Your last will and testament lays out what you want to happen with your property at death. A financial power of attorney (POA) names someone to manage your financial accounts and pay your bills when you're alive but unable to.

A healthcare POA names someone to make your healthcare decisions. You can also create a healthcare directive, laying out your preferences for medical treatment in different situations.

An estate plan lays out how you want your assets handled at your death or when you're physically or mentally incapacitated. No wonder most people procrastinate creating one.

"It's shocking how many people don't have their documents in order," says Bruce Tannahill, a director of estate planning with MassMutual. Only 24% of Americans have a will, a decline from 33% in 2022 and according to a 2025 survey from senior living directory service Caring.com.

While an estate plan cannot prevent death or illness, it can protect your family from stress, grief and emotional fallout. "Once you're gone, it's a really hard time for your family. People don't always react in the best ways," says Anne Rhodes, an executive with Wealth.com, which provides estate planning software for financial advisers. "Your estate plan gives them clarity on what to do and a chance to move on." Whether you've got your documents ready or just starting, here's how to prepare a robust estate plan.

3. Have a plan, or the government decides for you

Each state has laws for what to do when someone dies or becomes incapacitated without an estate plan. "You lose the opportunity to make your voice heard," says Rhodes from Wealth.com. The person who ends up making your health care and financial decisions might not be the one you want.

Inheritance laws prioritize a nuclear family structure, meaning the money usually goes first to your spouse and children. You need an estate plan if you'd like to leave anything to charity, friends and other family members.

4. Beneficiary designations override your will

Retirement accounts and life insurance policies ask you to name a beneficiary to inherit the money after your death. These instructions override whatever you may have written in your will and other estate plan documents.

For example, if you still have your ex-spouse named as beneficiary on your 401(k), they inherit the money rather than whoever you named in your will. You can update beneficiary designations by sending in a short form to the company managing the account or insurance policy.

5. Trust funds provide control after death

A trust fund is a legal entity that holds property for the benefit of someone else. You can set up a trust fund to control how your money and property are distributed after your death. For example, if you're worried about your 18-year-old grandson being able to manage a six-figure inheritance, you could put the money in a trust fund with a delayed distribution, mandating that your grandson gets the money only after turning 25 or finishing college. In general, you will want to decide between a revocable vs. an irrevocable trust.

6. A good plan speeds up inheritances

When you die, the state courts review your will and distribute your assets to the listed heirs through a process called probate. If you don't have an estate plan and your family members fight over the inheritance, they could waste everything on legal fees. Even if probate goes smoothly, the process can still take several months.

Accounts with beneficiary designations sidestep probate and go straight to the named beneficiaries. You could also set up transfer-on-death (TOD) instructions on bank accounts, brokerage accounts, vehicle titles, and home titles for the same result, says Tannahill from MassMutual.

Another option is to set up a revocable trust. You put property into the trust fund but can take it back as needed. When you pass away, the trust passes along the property according to your instructions without going through probate.

7. Estate planning saves taxes for your heirs

The estate tax is a tax charged on large property transfers at death. In 2025, the federal exemption is $13.99 million per person (up from $13.61 million in 2024) and is not an issue for most people. However, 18 states and the District of Columbia charge some form of estate or inheritance tax with much lower limits. Oregon taxes estates starting at $1 million and Massachusetts at $2 million. You could minimize these taxes by planning in your lifetime, such as making more gifts or using trust funds. After you pass away, it's too late. "The state legislature is not kind enough to do tax planning on your behalf," says Rhodes from Wealth.com.

8. Remember your pet and online accounts

If you have a cat, dog, or other animal part of the family, include what you want to happen to them in your estate plan. Who will take over the pet, a friend or a local humane society? "You could set up a pet trust specifically to help the other person pay for pet food, vet bills, and other needs," says Tannahill.

You need a digital estate plan to enable your executor and family to access your digital assets if you pass away. You should also consider whether you have any digital photos or files you want families to have. Make sure to send them along while you still can. Consider sharing passwords to social media accounts if you want a family member to close them at your death.

9. Lawyers and online services can prepare your documents

The cost of preparing your estate plan depends on its complexity and where you live. A lawyer might charge around $1,000 to create a will and the POA documents at the low end, to between $3,000 to $10,000 if you have a more complicated estate and want to set up trusts. Estate planning for millionaires is a different animal from an average family's needs, and there are plenty of ways to save money on estate planning.

Online services like LegalZoom or Trust & Will can prepare your documents for a fraction of the price. These could be an alternative if you feel your estate plan is simple and you are comfortable with a DIY approach.

Online programs can overlook technical questions, warns Graves, the attorney from Ohio. "You may answer a question where an attorney would say that's something we need to know more about that a computer might miss." For example, you leave money to a family member with special needs, which accidentally leads to them losing government benefits.

10. Review your plan every few years

If you drew up a will 20 years ago, chances are your situation and wishes have changed since then. Laws also change. You should formally work with a legal professional to check your estate plan for mistakes and give it a general review at least every five years, recommends Graves. If you have a good relationship with the lawyer who created the documents, she suggests calling them every two years to ask if anything has come up that could affect your plan. "Some practitioners proactively contact clients, but not all do."

If you've been holding off creating or updating your estate plan, Graves urges you to figure everything out before it's too late. "We're seeing an uptick in profound medical issues happening at younger ages. You never know when life will throw a curveball."

This ROTH Conversion Myth Could Cost You

While some 'golden rules' stay in style forever, the financial landscape is constantly evolving. Here are five common myths to revisit.

1. Paying off a 5% mortgage is equivalent to buying a 5% annual-return investment product

Some people who come into an unexpected windfall may be tempted to pay off the remainder of their mortgage, thinking they'll save 5% per year on interest.

But because of the way mortgages work — with most people paying a larger share of interest at the beginning of the loan period — a homeowner with 10 years left on a 30-year mortgage won't realize 5% in annual return savings. It may be only 2% or 3% savings.

Before you use a lump sum to pay off a mortgage, consider two issues: financial flexibility and risk.

If you use a large sum of money to pay off a loan, you may not have cash reserves for an unexpected situation such as a health scare or furnace replacement. How important is financial flexibility to you?

Conversely, since paying off a mortgage at whatever interest rate saves money, it's important to think about an investment's risk profile when comparing.

Unless you're putting the money into a certificate of deposit (CD) or a money market account, you will potentially be taking on more risk than paying off a loan.

2. Doing a Roth IRA conversion from a traditional IRA reduces taxes and saves money

With traditional IRAs, contributions are tax-deductible, meaning you can deduct the contribution from your income when filing taxes, but when IRA distributions are eventually taken out during retirement, they're taxed as ordinary income.

Roth IRAs flip the equation, with contributions being made after-tax (i.e., no deduction), but distributions coming out tax-free in retirement, as long as you're at least 59½ years old and your Roth IRA was put in place five or more years ago.

When you convert a traditional IRA to a Roth IRA, you might be able to save money on future taxes. But you might not.

Unless you have a pile of cash sitting around to pay the tax bill, which is due when you complete the Roth conversion, you'll have to use traditional IRA distributions, which means you pay taxes on the amount distributed and, possibly, an early-withdrawal penalty, and thus can expect to get only about 50 cents to 70 cents on the dollar.

That's not to say it never makes sense to convert to a Roth IRA. There are two factors to consider: age and income.

If you're only 30 years old and have 50 more years to earn compound interest, it might make sense, especially if you aren't currently in a high tax bracket.

But most people consider doing a conversion only in their 50s and 60s, as they approach retirement, when they don't have as many years to accrue interest to offset the taxes they'll be paying now to convert to a Roth IRA.

Additionally, if there is a gap in your income, and it goes down for a few years, that might also be a good time since you'll pay less in taxes to convert.

Conversely, a person in their prime earning years will probably want to lower their taxable income now, so it's smarter to use a traditional IRA to reduce your taxes.

Ultimately, a dollar is always worth more now than in the future. And since we don't know if taxes will go up or down tomorrow, it may not be such a good idea to pre-pay income taxes to the government.

3. Social Security is going bankrupt or becoming insolvent, and I don't expect to collect any benefits

Social Security is a pay-as-you-go system, which means that self-employment and FICA payroll taxes go directly to pay beneficiaries, with any surplus going to savings.

The discussion around Social Security being bankrupt or insolvent refers to the Old-Age and Survivors Insurance (OASI) Trust Fund. For decades, when Baby Boomers were working, a surplus went into this Social Security trust fund.

But now that the Boomer generation is retiring, and the birthrate is lower, there are a lot fewer workers, so we're burning through the trust fund.

Current estimates indicate we'll exhaust the trust fund in 2033. Does that mean retirees won't be able to collect? The answer is no.

If the Social Security trust fund runs out and Congress doesn't act, projections show that beneficiaries will still get about 80% of benefits, because there is expected to be enough coming in to pay the bulk of benefits.

Of course, the federal government can also fortify the trust fund by raising the wage base limit, increasing self-employment and FICA taxes or pushing the full retirement age forward.

4. Withdrawing 4% of your retirement savings ensures that you won't run out of money before you die

What many refer to as the 4% rule isn't so much a rule as it is a rule of thumb. In 1994, financial adviser William Bengen coined the phrase "the 4% rule," theorizing that if you have a 50%-50% stock-bond portfolio and take out 4% in the first year, you can increase the amount to match the rate of inflation and won't likely run out of money before dying.

Does Bengen's rule still hold true? It's safe to say it's outdated.

The 4% rule assumes that stock and bond returns will be similar to long-term averages, which may or may not hold true.

In fact, many hypothesize that the next decade will produce below-average U.S. stock market returns due to the past two years of substantial outperformance, with the S&P 500 returning 23.3% in 2024 and 24.3% in 2023.

Bond returns may also be less robust than during Bengen's time, because the 50-year U.S. bond bull market, largely driven by a secular period of falling interest rates, has now ended.

Beyond market returns and volatility, the 4% rule assumed that people would live only 25 to 30 years in retirement. Today, people might have 40 to 45 years in retirement, and the 4% rule isn't designed to cover that scenario.

Another limitation to the 4% rule is spending variability. During retirement, most retiree spending varies significantly from year to year, which can meaningfully reduce how long their savings will last.

If you want to make sure you have enough money to last in retirement, the best thing to do is to speak to a financial adviser who can help develop a plan based on your specific situation.

5. It's better to get a tax refund than owe taxes to the IRS

People like to get tax refunds. But getting a refund just means that you've given the government an interest-free loan.

Ideally, your payroll-tax withholdings should be close to what you'll owe in taxes. No more, no less. Getting a tax refund may feel good, but it's even better to earn 4% interest throughout the year.

While some basics stay in style forever, finances aren't one of them. It's a good idea to revisit the "golden rules" of money and finances to stay up to date for a modern generation. Otherwise, you could be making costly mistakes.

Seven Secrets to Building Wealth

It's no secret that most people would like to make more money. To be able to earn more, save more, give more and spend more is a dream that can often feel out of reach for those who don't currently have the means to accomplish these goals.

What does feel like a secret, however, is how those who are building wealth successfully are doing it so well.

How is it that the wealthy seem to have it all figured out? What information do they have access to that others don't? According to the financial experts of Kiplinger Advisor Collective, it's really no secret at all — and it doesn't have to be that difficult to start.

By building habits like saving and investing consistently and maintaining the right mindset, you too can build wealth that can help you achieve your goals and give you peace of mind for the future. Read on to discover seven steps you can take today to get started.

1. Avoiding credit card interest

"Buying stuff you don't need and carrying a balance on a credit card will keep you from building wealth. Use a balance transfer card to wipe away interest fees so you can pay off debt faster. Then, start investing the money you were paying on your credit card toward income-producing assets such as dividend stocks, real estate investment trusts (REITs) or peer-to-peer lending platforms." — Andrea Woroch, Woroch Media Inc. / Andrea Woroch

2. Making long-term investments

"The best-kept secret to building wealth is consistency in disciplined investing — regularly saving and investing in diversified, long-term assets like index funds or real estate. Most people don't do this because they chase quick gains or struggle with delayed gratification. True wealth grows over decades, but many seek immediate results, missing out on the power of compound growth." — Greg Welborn, First Financial Consulting

3. Owning income-producing assets

"Too many people trade time for money instead of buying back their time. The wealthy invest in things that make money while they sleep — businesses, real estate, stocks. The problem? Most people spend every dollar they earn instead of putting money to work. Shift your mindset: Buy assets, not just liabilities, and let your money start making money for you." — Justin Brock, Bobby Brock Insurance

4. Saving consistently

"Saving a small amount each year can lead to the accumulation of significant assets. Investing $2,000 a year creates a nest egg of more than $200,000 at the end of 30 years, assuming stocks return 8% per year over that time." — Daniel Kern, Nixon Peabody Trust Company

5. Sticking to what you know

"I've worked with wealth managers, but I find that the best way to build wealth is to simply be patient and invest in things you understand. Don't go after fads. Real estate has its advantages, but if interest rates remain high and rents fall, it may not be the golden egg people think it is. Stocks have their issues, too. Diversification is key, but only within limits, else you won't know what works." — Zain Jaffer, Zain Ventures

6. Leveraging the right accounts

"Be certain to take advantage of dollar-cost averaging and diversification in tax-free accounts, like Roth IRAs and Roth accounts in employer-sponsored retirement plans. But the best-kept secret is consistency and patience." — Marguerita Cheng, Blue Ocean Global Wealth

7. Keeping to a steady plan

"The secret? Consistency over time. Wealth isn't built overnight — it's daily habits, smart investing and patience. I've seen people chase trends, but those who stick to a steady plan always win. Why don't more people do it? Because slow growth isn't exciting. But the ones who stay the course wake up one day financially free, while others are still chasing shortcuts." — Bob Chitrathorn, Wealth Planning By Bob Chitrathorn of Simplified Wealth Management

Retirement Income Strategies for the Long Haul

Retirement — and the passage to relying on retirement income — marks a crucial shift in your financial life. Sure, you can now stop spending so much on new suits and long commutes. But retirement is when you go from having a regular paycheck to depending on your investments for income. While this shift may be easy to grasp conceptually, it can be far more challenging to implement as you develop a retirement plan.

"If this isn't done with care, retirees can deplete their savings, particularly if they live longer than expected, which can lead to the risk of running out of money before running out of life," says Anthony Saccaro, president at Providence Financial & Insurance Services.

So, how do you create an income stream that will last as long as you do? Here are five of the top ways to generate reliable income in retirement for the long haul.

1. Retirement income by the bucket strategy

One of the most common strategies experts recommend for reliable income in retirement is the bucket strategy. The idea is to allocate your savings among three buckets: a now bucket, a soon bucket and a later bucket.

"The now bucket holds the money you need for your monthly bills and any 'big ticket' items you intend to purchase over the next two years, like a new car or kitchen remodel," says James Comblo, president and CEO of FSC Wealth Advisors, LLC. "This money is kept safe in a place like a bank where we know it's reliable and liquid."

You should have enough liquid funds in this bucket to cover three years' worth of expenses after accounting for reliable income sources like Social Security or annuity payments, says Chris Boyd, senior vice president and financial advisor at Wealth Enhancement Group.

For example, if you spend $100,000 per year and get $50,000 from Social Security, you should have three times $50,000, or $150,000, in your now bucket.

"This should be enough to weather most financial storms before tapping other assets which are more prone to fluctuation in price," Boyd says.

The soon bucket is for money you'll need in the next two to 10 years. This bucket is invested conservatively with the goal of earning more than a bank offers while not overexposing yourself to volatile assets. Think primarily bonds with minimal — or no — stock exposure.

2. Dividend stocks and bonds

For reliable income in retirement, you want to lean on income-producing investments like dividend stocks and bonds.

"Interest and dividends are renewable resources that can provide a steady income without the risk of depleting the principal," Saccaro says. Living off of dividends and interest lets you avoid needing to sell shares to generate income, "which significantly reduces the risk of running out of money."

You can do this by owning individual dividend stocks and bonds, or through retirement income funds. The latter has the advantage of better diversification, which can be especially important when you rely on dividends because these are not guaranteed.

A company can reduce or cut its dividend at any time. By using a fund with many different dividend stocks, you're less at risk of a single company's dividend cut greatly impacting your retirement income.

If you choose to use individual stocks, Boyd cautions against yield chasing. The highest-yielding companies, whether in dividends or bond interest, tend to be at the highest risk of not getting paid. Instead, look for more moderate and reliable yields.

3. Diversified income streams

The impact of taxes during retirement is something that isn't addressed enough, Comblo says. "It's our belief that tax rates may be double their current levels in 10 years."

This makes it crucial to have methods for managing taxes from retirement income. The best way to do this is to give yourself options.

Not all retirement income sources are taxed the same. Most interest income and withdrawals from pre-tax retirement accounts is taxed at your ordinary income rate.

Capital gains from selling an investment at a profit are taxed at lower capital gains tax rates. Some dividends also qualify for capital gains tax rates. Meanwhile, some interest, such as that from municipal or government bonds, may be exempt from federal and/or state taxes.

Then there is the holy grail of retirement income: Roth accounts, which provide tax-free income.

The more diversified your income streams, the more strings you'll have to pull in managing your taxes in retirement.

4. Use annuities for guaranteed income

You can also think of diversifying your income streams between guaranteed and variable income sources. Interest and dividends are variable income streams because these rates can change. This makes them less than ideal for covering necessary living expenses.

A better strategy is to create enough guaranteed income streams to cover your necessary expenses, then let variable income sources provide for your other costs, like an annual vacation.that informed the plan — to help prevent unwanted surprises in the future.

Social Security is one source of guaranteed income, but it's often not enough to cover all of a retiree's expenses. This is where annuities come into play.

Annuities get a bad rap for having high fees, but they can also provide guaranteed income for life. "The key advantage of annuities is that they often provide more guaranteed income per dollar invested than most other financial vehicles," Saccaro says. "This makes them an appealing choice for retirees who value security and want predictable, lifelong income."

There are many different types of annuities, each providing a different level of control and income. Given their complexity, it's often best to work with a financial advisor who can guide you in choosing the right option for you.

"The drawback of annuities is that they are generally illiquid, so they are better suited for those seeking certainty in income over flexibility in withdrawals," Haywood says.

5. Part-time job

This may not be the answer you were hoping for, but sometimes, the best way to generate reliable income in retirement is to work for it.

Older Americans are increasingly choosing to work in their golden years. Nearly 20% of Americans aged 65 and older worked in 2023, according to the Pew Research Center. This is almost double the number of people who worked 35 years ago.

A part-time job in retirement can provide that reliable income stream you're after. It can also help you avoid withdrawing too much from your investment portfolio early in retirement. Your portfolio may not be able to recover from a large withdrawal too early into retirement, making it more likely that you'll run out of money later on.

As an added bonus, a part-time job may provide health insurance, which can be particularly helpful for early retirees who are too young for Medicare.

"For many, if they were not at work, they would likely be out spending more, so the benefits of continued work, to whatever extent appeals to them, helps reduce spending, increase income and delay drawdown of their investments," Boyd says.

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