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TIME + MONEY

INVESTMENTS

Wealth insurance

This extra step will provide for your family

On your to-do list of financial plans for the near future, "anticipate sudden death" or "plan for persistent vegetative state" probably hasn't figured too high. You're the kind of guy who looks out for your loved ones, and to you that probably means saving for college, making sure Mom and Dad are secure, and keeping your insurance policies up to date. But it ought to involve one more step. No, not just a will. We're talking about something called a *living trust*.

Wills are necessary but flawed. As a public document, they are notoriously easy to contest. And all wills have to go through probate, a legal process that can stand between your loved ones and your money for as long as 2 years—and cost them up to 4 percent of your hard-earned assets. But most important, your will governs only what happens after you die; it doesn't lay down any plan for managing your money and providing for you and your family if you are incapacitated.

Enter the living trust, a document that allows you to retain control of your financial ship but empowers a relative, family friend, or a bank to take the helm if you are no longer able to steer. Assets in a properly drafted trust don't go through probate, and the contents stay private. Plus, you can change or terminate the living trust at any time.

Your financial advisor may be able to offer guidance on establishing a living trust. Ultimately, though, you should consult an experienced estate-planning attorney familiar with the laws of your state. Some planners charge as little as \$350 for the basics, but expect to fork over about \$2,000 for a full-service experience. "It makes



sense to pay a little more," says Scott Carr, founder and CEO of Savewealth.com, an online financial-planning resource affiliated with ING Financial Partners. "Because if your trust gets invalidated, you're not hosed—your family is." Nobody said estate planning was pleasant, but when you get it right, your loved ones will thank you for it. And for now, you'll also sleep better at night. NADIRA A. HIRA

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WAYS TO BULLETPROOF YOUR LIVING TRUST

CONSIDER YOUR ZIP CODE(S)

If you reside in a state with a burdensome probate procedure, such as California or Florida, creating a living trust should be a top priority. If you own property outside your home state, adds Bernard A. Krooks, founding partner of New York law firm Littman Krooks LLP, a living trust is a must. You don't want your heirs to endure probate in two states.

CONSULT A SPECIALIST

Your financial advisor is best suited to provide a trusted referral. But you can also call the bar association in your state or consult www.actec.org, the American College of Trust and Estate Counsel's Web site, which lists expert attorneys nationwide.

ACCOUNT FOR EVERY ASSET

Audit all of your assets and bring statements from every account when you consult a lawyer. Once the trust is set up, be sure to actually fund it. "One of the biggest mistakes people make is that they forget to put assets in the trust," says Krooks.

PICK TRUSTEES CAREFULLY

If you've got investments such as hedge funds, a bank that understands them might be the best choice. If your portfolio is straightforward, a family member will do—but talk to the entire family about your choices.

NEUTRALIZE PESKY HEIRS

It's difficult to contest a living trust. Still, if you want to exclude an heir, you should clearly demonstrate that you meant to. If your trust is contested and your attorney is called to trial as a witness, he or she should be able to document it.

TIM RUE (GROSS)



HOW I WOULD SPEND

\$1K

\$10K

\$100K

\$1M

By Bill Gross, founder and chief investment officer of PIMCO, based in Newport Beach, California, and manager of the world's largest bond fund

\$1,000

My current golf handicap is a 12, and I'd like to knock it down to an 8. So I'd use this for some really good golf lessons.

\$10,000

I'd sponsor a company-wide pizza party. No executive is ever successful on his own, and the quickest way to people's hearts is through their stomachs.

\$100,000

Heifer International provides livestock to impoverished people around the world. This much cash would buy 20 cows, 40 water buffaloes, 66 llamas, 83 sheep, 87 pigs, 500 ducks, and a bunch of honeybee hives. heifer.org

\$1,000,000

A widening trade deficit makes the United States a much less desirable place to invest. At this point, I'd put my million into iShares MSCI EAFE Index Fund, an exchange-traded fund that mirrors the performance of equity markets in Europe, Australia, and the Far East.