
Starting an Estate Plan

Jenna Nees | Purdue Extension Educator ANR Putnam County & Putnam County
SWCD Adult Education Coordinator

When should we develop an estate plan? That simple question is something many families ask themselves, their attorney, their accountant, and Purdue Extension staff at various times throughout their life. And the answer is easy; NOW! At the same time, you may wonder, what is an estate plan? An estate plan is a collection of legal documents that specify how your assets will be managed and transferred after your passing.

If you do not have an estate plan, you are not alone. Based on results from the 2023 North Central Region Farm Succession Survey (1), 35% of respondents have not started their estate plan. Many individuals do not have an estate plan or they may have one, but it isn't current. It is important to start developing and updating your estate plan now before something happens. Ideally, you would want to have your estate plan finalized before an unforeseen incident occurs or before your health declines due to dementia or another medical issue.

If you need to develop an estate plan or need to update your plan, begin by getting your "team" organized. An attorney, accountant, and financial advisor are three key members of your team. Then depending on what might be in your estate, you may also need trust officers, real estate appraisers, life insurance agents, and consultant foresters. Your attorney will provide you with legal advice, draw up your legal documents, and help coordinate the work of the other team members. Your accountant and/or financial advisor will provide an estate analysis, investment advice, and tax counseling. A trust officer will also help provide some financial advice and help you develop a trust (if needed). A life insurance agent will help analyze insurance policies and plans to discuss how your plan may impact your estate. A real estate appraiser will evaluate your property to determine the value it will contribute to your estate. If your estate would include a farm, then you would want to get an appraiser with knowledge of the ag industry. To find one, you may want to look at the American Society of Farm Managers and Rural Appraisers website. The consultant forester can help determine the estimated value of the timber on your property.

Once your team is formed, it is time to start the process of developing your estate plan. To get started, begin by having a discussion with yourself, your family, and then your team. Your initial meeting with your team should consist with getting to know each other and ensuring the attorney/advisor/etc. is a right fit and understands your wishes. Following the first meeting, you will develop a list of items that would be part of your estate plan (account information, life insurance info, financial notes/mortgages, real estate info, timber values, etc.). At the same time, you will want to develop objectives for your estate plan. Common objectives include minimize estate taxes, keep a business in the family, provide educational opportunities for heirs; however, there are numerous other objectives you may decide to use. Once you have this information gathered, share it with your team, so they can utilize the information to develop your plan.

When your plan is developed, ensure that you review it and assess that it helps you reach the objectives that you set. If it does not reach your objectives, talk to your team about how you can update your plan to achieve them. Of course, once the document is finalized, do not simply file the document away. Instead, put your estate plan in a safe place and review it from time to time. At a minimum it is recommend that you update your estate plan every 3 to 5 years. The plan should be updated more frequent if any major issues may occur such as the death of an heir, purchase or sell of a piece of real estate, large influx of money, or a timber sale.

If you do not have an estate plan, remember you are not alone; many people do not have estate plans either. However, now is the time for action. Form your team, develop your objectives, inventory your assets, and put your plan in writing. This helps to ensure your goals with how your assets will be managed after your passing is achieved. Remember, there is no time like the present to get started in this process and if you have started it, update it regularly as things change in your life.

References

1. Wiatt, R., Marshall, M.I., and Langemeier, M.I. (2023). 2023 Farm Succession Survey.

Suggested citation:

Nees, J. (2024, January 30). Starting an Estate Plan. Purdue Institute for Family Business 2024 Newsletter 1.

<https://ag.purdue.edu/department/agecon/fambiz/docs/newsletters/2024newsletter1.html>



Institute for Family Business

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The Purdue Institute for Family Business (PIFB) is an integrated research, outreach, and teaching program. It offers educational programs that address the major competencies needed for effective family business ownership and management. The goal of the initiative is to prepare family business stakeholders—strategically, financially, and emotionally—for the significant and sometimes unpredictable transitions and decisions that must be made, which determine the success and continuity of the family business.

PIFB provides multi-generational family businesses with research-based business management resources aimed at improving personal leadership performance and driving operational growth. Our ambition is to prepare family business owners, managers, and stakeholders (including non-owner spouses and future owners) to be effective stewards of their family enterprises.

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