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Attorney at Law

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Estate Planning | Wills & Trusts

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## **Integrating Your Financial Planning and Estate Planning**

A financial planner ideally serves as a client's "financial quarterback," advising and educating the client on all financial topics and making sure that the client is making the most of their money while also being protected against risk and liability. One of the financial areas that a financial planner must address is the client's estate planning needs. If a financial planner does not inquire about your existing estate planning needs, it should alert you to the fact that certain areas of your financial plan may fall through the cracks.

Your financial planner and estate planning attorney must understand the fundamentals of each other's area of expertise as well as their own responsibilities and limitations. In other words, one must understand when it is time to pass the torch to the other. Though it may seem simple enough to organize your financial house one step at a time, integrating your financial planning and estate planning can be far more efficient and effective.

### ***The Role of the Financial Planner***

Proper financial planning is not simply looking at the client's income, expenses and investment holdings and providing a new asset allocation plan. Rather, financial planning is a much more detailed process that addresses every aspect of an individual or couple's financial state, including budgeting, saving, life, liability and disability insurance, college funding, estate and gift planning, tax strategies and more. Since a financial planner will be involved in the client's current and future financial goals, he or she is the ideal individual to oversee these areas and ensure that they are coordinated to serve the client's needs.

As is the case with any advisor, a good financial planner will ask the right questions, seeking the information necessary to develop a sound, thorough financial plan. It is important that the meeting is not rushed and that aspects of the client's finances are not overlooked.

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## ***Estate Planning***

Estate Planning is just one necessary part of a comprehensive financial plan. Whether the client is an individual or a couple and has descendants or not, the general goals of estate planning are common to all: to ensure that loved ones are taken care of; to maximize the assets that pass by reducing or eliminating administration expenses and taxes; and to minimize the hassle in passing assets by clarifying your intentions and limiting or eliminating probate.

A proper estate plan is often not appreciated until after the creator's death, but not having an estate plan in place can place a significant burden on your loved ones. For example, by having Powers of Attorney for Health Care and Property in place, if you are ever incapacitated and thus incapable of making decisions for yourself, your loved ones can present the applicable legal document to the hospital or bank rather than having to hire an attorney, seek a guardianship and possibly engage in a legal battle over the authority to make decisions on your behalf.

Similarly, by having a Revocable Living Trust in place, your loved ones can avoid the costly and time-consuming process of probate, making it much easier for your beneficiaries to receive and use the assets. As has been mentioned before, a Will does not avoid probate. Instead, a Will must go through the probate process, which lasts a minimum of six months in Illinois but in most cases is a 12 to 18 month process. Additionally, a properly drafted Revocable Living Trust should greatly reduce the likelihood of any disputes amongst your heirs and protect their inheritances from creditors or divorce (please see "Protecting Your Child's Inheritance" in the May 2011 Newsletter for a more detailed analysis).

## ***Working Together***

By integrating your financial planning and estate planning, you can ensure that your financial and family goals are achieved in the most efficient way possible. By having your financial planner and estate planning attorney communicate with each other directly while the planning is taking place, the client can gain a better understanding of how the planning will be beneficial and what family or financial events should trigger a review or modification of the plan.

One of the areas of estate planning where the financial planner should be directly involved is in the funding of a Revocable Living Trust. As discussed in the September 2011 Newsletter ("Painless Estate Planning"), funding or the re-titling of your property to your Revocable Living Trust is a very important, yet often neglected, part of estate planning. An unfunded Revocable Living Trust falls far short of achieving its objectives. By including your financial planner in the process, you can ensure that all of your accounts and assets are transferred into

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your Revocable Living Trust, thus ensuring that those assets will not have to go through the probate process at your death.

Additionally, since a financial planner continues to monitor any new accounts that are opened by the client, the planner can ensure that such accounts are not overlooked and, when appropriate, are opened in the name of the trustee rather than the individual, thus streamlining the process of funding. Similarly, if a new retirement account is opened or life insurance policy is purchased, the financial planner can advise the client to properly complete the beneficiary designations for such assets and to update such designations when necessary.

When a financial planner and estate planning attorney know their roles and limitations, understand the goals of the client and work together to achieve them, the client's financial team becomes more efficient and the service provided is greatly enhanced.



Manish C. Bhatia is an Illinois attorney focusing his practice in the area of Estate Planning. Manish has focused his education and practice on Tax Planning, Estate Planning and Business Succession Planning since the first year of law school. He has also added Asset Protection, Elder Law and Nonprofit Organizations/Charitable Giving to his fields of practice. Manish is also a member of the Chicago Bar Association, the Asian American Bar Association of Chicago and the Indian American Bar Association.

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