



Intro: Welcome to the Paragon Financial Partners Podcast, where we discuss the markets, our strategies, and how to live better today while planning for tomorrow.

Elean: Hello and welcome to this episode of the Paragon Podcast. I'm Elean Mendoza and I'm here with Evan Shorten the firm's founder and Principle.

Evan: Hello, I'm Evan Shorten and I want to thank you for tuning in. I also want to remind you that if you want to listen to our previous podcast episodes, you can visit us at paragonpodcast.com or visit our Facebook page. With that said, today we want to discuss a few important items that should make up the foundation of your estate planning documents. And even though many of our clients have completed this step, it may be very useful to share this information with your children or other loved ones.

Elean: One commonality that we see, even with some of our clients, is that while people often seek to establish a revocable living trust for their assets, they're missing a few other important estate planning documents. Today, we want to discuss the importance of also having a will in place, an advanced healthcare directive, and a durable power of attorney for your financial assets, if an unfortunate event were to happen to you. While the revocable living trust might seem sufficient, you have to keep in mind, the revocable trust only helps the asset held within it to be passed on to your heirs.

You still need to have directions set in place for property held outside of your revocable trust. As an example, your home and IRA or usually two assets that many people hold outside of their revocable trust. Since the revocable trust is typically the most used estate planning vehicle, let's have Evan give us a brief rundown of what it is, what it does, and why it's important.

Evan: Thank you Elean. In definition, a trust is an entity created by what is called a grantor, or trustor, who is the individual that actually funds the trust with their assets. The trust is created for the benefit of the beneficiary who receives the assets within the trust either at once or over a long period of time. The trust is managed by a trustee, with the best interest of the beneficiary. A trust can have multiple grantors, multiple beneficiaries, and multiple trustees, or conversely, a single individual who can be the grantor, beneficiary and the trustee.

When the same individual, or individuals, are the grantor, beneficiary, and trustee, we have what is commonly known as the revocable living trust. Just as the name implies, this individual or these individuals, who act as a grantor, beneficiary and trustee, have the ability to revoke the trust and make changes to the trust. The main purpose of this trust is to help individuals and their families avoid probate in the event that the grantor passes away, and to provide instructions on the disbursement of these assets.

Elean: Okay. So holding the assets in the name of the revocable living trust, which we normally refer to as a living trust, allows the grantor's surviving beneficiaries streamlined access to the assets in that trust.



Evan: Yes, exactly. The problem is that many individuals and families stop at this point with respect to their estate planning, even though living trusts only provide streamlined access to the assets in the trust. If your home, cars, collectibles, and other assets are simply owned in your name and not the name of the trust, the distribution of those assets becomes the responsibility of the courts through the probate process, which can be a huge headache and expense. I also want to add that it is very important to hold your home and a majority of your assets in your established trust.

Elean: Okay, and that's why it is important to have a trust in place. With that, Evan, can you give us a brief overview of what a will is and what a will does?

Evan: A will is a legal document where you provide instructions of how your property is to be distributed upon your passing in probate, which is the court process by which a will is proved valid or invalid. Additionally, a will names an executor of your estate, meaning the person or people who will be responsible for following the instructions you have laid out in your will. A will is most important to have when you pass away with having minor children. It gives you the ability to list guardians for your minor children and transferring assets other than real estate. A will provides directions for the executor to distribute your assets that are not already accounted for through your trust or beneficiary designations that are listed on a bank's transfer on death document or on joint accounts that have a survivorship option.

Elean: Okay, great. Thank you. Evan, can you also go over the last estate planning items we want to discuss, the advance healthcare directive and the durable power of attorney?

Evan: Yes. First, I want to mention that the advance healthcare directive can also be called a living will. Both terms are interchangeable. It's important for you to have an advance healthcare directive as it specifies what action should be taken with regards to your health if you become incapacitated or gravely ill and are no longer able to make decisions for yourself. An advance healthcare directive is a legal document that takes the guess work out off your loved one's hands. It outlines ahead of time the difficult choices your family could possibly have to make. It can dictate your preferences for specific services, medicine given, and the use of assisted living mechanisms. I also want to mention that there is also what is called a healthcare proxy or medical power of attorney.

Just as the name implies, the healthcare proxy allows you to appoint an individual to make healthcare decisions on your behalf should you be incapable to do so. Just to be clear, the difference between the healthcare directive and the healthcare proxy is that the healthcare directive has the advantage that it specifically lays out your wishes given a hypothetical scenario and alleviates some of the tough decision making responsibilities from your loved ones. The healthcare proxy provides the advantage of having an individual make real time decisions on your behalf as unexpected situations and circumstances arise.



Elean: Okay. Thanks Evan. We understand that it can be difficult to sit down and begin talking about healthcare arrangements with your family. It's certainly not an easy thing to discuss, and often, your family may not be comfortable hearing it either. We highly encourage you to seek a trusted third party to help begin the discussion and create a framework. You could seek the help of your state attorney, your financial planner or even a member from your church or synagogue.

Evan: along the lines of a healthcare proxy, it's also important to have a financial power of attorney in place in the event you can no longer make financial decisions for yourself. Having a financial power of attorney is essential as you age because it's not just limited to financial decisions over your estate, but it appoints a person to help manage your assets in the event your mental health begins to diminish. Again, this may be a difficult topic to discuss, but Alzheimer's disease and dementia are real health risks that are becoming more common, especially as people are living longer.

Elean: We hope everyone that tunes in takes away something from our podcast. Many of you may have a living trust in place for your assets and that's great. You've taken the initial steps to pass on your assets to your heirs. However, it's important to have a solid estate plan that covers many things, including your health and your finances. Some of you may have complicated estate planning needs while others may be more straightforward. But establishing a living trust, a will, an advance healthcare directive, and a financial durable power of attorney will create a solid foundation that is applicable to nearly everyone.

Evan: Again, we understand that it could be difficult to have these conversations with your loved ones. Rather than put them off, seek out a trusted individual to help you start the conversation. As we mentioned earlier, your estate planning attorney or financial planner may be a great place to start. Thank you, everyone, for tuning into our podcast. Please listen to our earlier episodes at paragonpodcast.com and like us on our Facebook page. Thank you, until next time.

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