



Letter of Instruction Helps Survivors

By Bill Elson, Partner, CFP®

Most of us know the importance of preparing and updating a proper will—a document that directs how their estate is to be divided at their death. Yet many adults do not have wills.

Often overlooked in the preparation of a will, however, is a companion document typically referred to as a letter of instruction. This informal, personal document, which is not legally binding in most states, can serve several purposes.

- Helps your successors feel better by understanding your wishes
- Offers a guide to ensure none of your estate is "lost"
- Forces you to organize your financial affairs
- Creates a "to do" list for your executor and survivors

Writing a letter of instruction can be emotionally difficult, since it forces you to face your own mortality. But it provides a wealth of valuable information to survivors, including:

A list of things to do. This may include notify friends and relatives and your employer, making burial arrangements, contacting the local Social Security office for their death benefit and survivor benefits, notifying the life insurance company, and canceling credit cards. Your executor or trustee should notify one of the three credit reporting agencies (Experian, Equifax or TransUnion). The one you notify will notify the other two agencies.

Organ donation request. If you wish to donate organs, this is a good place to mention it. Of course, your family should also be aware because it might be too late when they read the letter. Attach any organ-donor forms, if appropriate, or a copy of your driver's license organ-donation designation.

Burial arrangements. Describe the type of funeral or memorial service you want and where you want it held. Cremation or burial? Your family is not obligated to carry out your wishes, but it's better than letting them guess what you wanted. If you've already bought a cemetery plot or made funeral arrangements, be sure to include the name and address of the cemetery or funeral home.

A list of assets. This is one of the most helpful parts of a letter of instruction. It should list insurance policies, bank and investment accounts, mortgage accounts, safe-deposit box, real estate, credit cards, outstanding loans, debts owed to the estate, income-tax returns, other important financial documents.

Be sure to include the location of the safe-deposit box key and account numbers, bank accounts, life insurance policies, investments and other sources of wealth that often go unclaimed because the deceased failed to let the survivors know where their assets were located. You may wish to have your executor or successor trustee listed on your safe deposit box.

Compiling this list also forces you to organize your financial records, a process that is beneficial for you today, as well as for your survivors later.

A list of advisors. Provide names, addresses and phone numbers of your financial planner, stockbroker, insurance agent, accountant, attorney, or other important professionals.

Disposition of personal effects. Some experts advise using letters of instruction, though not binding as a will, to specify who is to receive personal property, such as the furniture, china or a family heirloom. In Iowa, a list that is handwritten, signed and dated by the deceased is a valid way to transfer personal property.

Clubs and offices. Your survivors should notify the social and golf clubs to stop their dues, as well as any professional boards, committees or volunteer positions you may have served on. Have them return any files or records for volunteer activities or offices you held.

Government death benefits. The Veterans Administration will pay up to \$796 toward burial and funeral expenses for deaths on or after October 1, 2019 (if hospitalized by **VA** at time of **death**), or \$300 toward burial and funeral expenses (if not hospitalized by **VA** at time of **death**), and a \$796 plot-interment allowance (if not buried in a national cemetery).^{*} You can find additional information, here: <https://www.va.gov/burials-memorials/veterans-burial-allowance/>.

Social Security pays a \$255 death benefit upon application.^{**} Find more information here: <https://www.ssa.gov/benefits/survivors/ifyou.html>. Many times the funeral home will notify the Social Security Administration to apply for this.

Miscellaneous. Ask your heirs to cancel any subscriptions that are no longer needed. Also, keep a record of all income and bills received after death, whether paid or not.

Also important are digital assets. Keep important user IDs and passwords in one, secure location or use an online password manager. Reference the handling of digital assets in your estate plan.

Personal messages. This letter is a good place to leave personal comments to survivors rather than clutter up a will with them. Because letters of instruction are not legally binding, it is easy and cost free to update them, unlike a will. Update once a year, or more often if the need arises.

Computer programs that keep an inventory of your estate make updating easier. Be sure family members know where your letter of instruction is located. Leave a copy in your safe-deposit box, with your lawyer, and at home.

The best time to do a letter of instruction is right now, since none of us have control over the date it will be needed.

^{*}Veterans Administration, October 2020

^{**} Social Security Administration, October 2020



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