

## LETTERS OF INSTRUCTION BENEFITS HEIRS...AND YOU

While most adults know they should have a will—though regrettably many don't have them—few realize they should also have a companion document known as a letter of instruction. This letter can help organize their own finances, ease the stress for their surviving heirs at a difficult time, and ensure that none of their estate is “lost.”

A letter of instruction is a flexible, informal, cost-free personal document which is not legally binding but which can serve multiple purposes. Among them:

**Provide a list of the estate's assets.** Every year people die and leave behind abandoned assets that are never found by their heirs. One attorney, for example, recalls a case where it was years after a woman's death before her squabbling heirs from several marriages discovered concealed cash and jewelry.

The letter of instruction might detail the location of assets such as

- Bank and investment accounts (and any automatic withdrawal/deposit information)
- Stock and bond certificates you've kept instead of the brokerage firm
- Real estate documents
- Retirement accounts including 401(k) plans and individual retirement accounts
- Life insurance and annuity policies
- Assets held in trust
- Post-death benefits due from employers, the Veteran's Administration, Social Security

The letter should detail their location, their approximate value, and account numbers, as well as how the assets are owned (jointly or individually, for example) and how they will pass at death (directly to a beneficiary, through the will, through a trust). Compiling a list of assets provides an opportunity to be sure your designated beneficiaries are the ones you want, and it minimizes fees from financial professionals who might otherwise have to assist in locating assets.

**Instruct disposition of personal effects.** Because a valid will is legally binding, you may want to use your will to instruct who is to receive valuable or key personal possessions. But a letter of instruction can be useful for lesser items, as well.

**List advisors and others.** Provide the names and phone numbers of your financial planner, accountant, brokers, insurance agents, attorney, and other financial professionals. Also list such contacts as clergy, employers, trustees, and your estate executor.

**Tell location of other essential documents and information.** Tell your heirs where they can find your safe-deposit box (and the key to it), will, tax records, birth certificate, military records, and credit card accounts (you may want them closed).

**A list of debts.** Detail debts you owe and that are owed to you (and what you want done with debts owed to you).

**Spell out funeral arrangements.** Granted, this often is emotionally difficult to do, but it will help your loved ones if you describe the type of funeral or memorial service you want. Cremation? A particular type of casket? Provide information for your obituary. Include the name and address of a cemetery/funeral home if you've already bought a burial plot or prepaid for a funeral. Your heirs are not legally bound to follow all your wishes, but spelling them out is usually far better than letting loved ones guess.

**Include personal messages.** A letter of instruction can be a good place to leave personal comments to survivors, instead of cluttering up a will with them.

**Write it out clearly.** Don't shorthand information. Your heirs may not understand your instructions as easily as you might think, or responsibilities might fall to family member or friends less familiar with your estate and desires.

**Organize your finances.** The very act of locating your financial assets and important documents, plus spelling out other details for your heirs, provides a great way to organize your finances for your own benefit.

**Don't keep copy only in a safe deposit box.** You'll want your heirs to obtain the letter of instruction right away. Don't store the only copy in a safe deposit box where it might be difficult to reach. Keep a copy at home, with your executor, or with an attorney.

**Update annually or when needed.** Because letters of instruction are not legally binding, it's easy to update them annually or when there are major changes such as a marriage, divorce, or the purchase of valuable property. All you have to do is make changes and provide freshly dated copies to the appropriate sources. You don't have to have them witnessed as you do a will.

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