Why millennials need estate planning too

Four steps you should take in your 20s and 30s

By Darla Mercado

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The cobbler's children go unshod, and the estate planning reporter has no estate plan.

Though I cover estate planning as part of my beat, I've always envisioned it as an esoteric practice for moneyed, older people with lots of extended family.

Take entrepreneur Dan Ashbach, who needed an estate plan to protect his $10,000 a month digital business.   And don't forget the celebrities who've made their own estate planning errors.

As surprising as it seems, I — and undoubtedly, many other young professionals — have no estate plan whatsoever. The truth didn't hit me until after attending a seminar on Tuesday night with my accountant and an attorney he's brought in for a team approach to planning.

It's never too early to begin sketching out the basic estate plan. Here's a round-up of what millennials should know, even if their highest earning years are still to come:

Know your beneficiary designations: A young professional probably has access to a retirement plan at work, and he may have assets outside of that in an individual retirement account. Further, there might be a group life insurance policy available at the workplace. It's important that the client revisits who's listed as a beneficiary on each of those accounts.

In my case, when I started working, I listed my younger brothers as beneficiaries for my retirement plan assets and group life insurance coverage. The picture changed when I got married in 2010, and the beneficiary designations should, too.

Talk about life insurance: Group coverage through the workplace doesn't cut it, as it's typically not portable and it may not be enough to sustain a surviving spouse and children. If you are getting married, start talking about obtaining individual life insurance policies, ideally as term coverage. The birth of a child should jump-start that discussion, too. "If you have a child, make sure you have enough [of a death benefit] to sock money away into college savings accounts," said Michael Powsner, founder of Upstart Wealth Management.

Create a health care proxy and power of attorney: The last thing any young person wants to talk about is the possibility they may be incapacitated. But "for singles, it's even more important to consider who's going to have your health care power of attorney," said Bernie Kent, chairman and CPA at Schechter Investment Advisors. "Even a plain old power of attorney is very valuable. You don't have to be about to die [to have one.]"

Who should make medical decisions on your behalf if you are no longer able to do so? Who do you want to oversee your financial affairs?

Draft a will: Maybe you aren't a multimillionaire yet. If you have assets, you probably have an idea of where you wants them to go in the event of an untimely death. Without a will, state intestacy laws kick in, and the estate could be settled in a manner the decedent didn't intend. If there are children, you use the will to declare who has guardianship over them.

Wills also help avert litigation when naming an executor, because nobody wants a legal brawl among family members, especially after funeral services.

Discuss federal and state estate taxes: Young people whose assets fall below the 2015 estate tax exemption of $5.43 million might still face a whole slew of taxes from the state in which they reside because those estate tax exemptions are lower. In New Jersey, the estate tax exemption is at a much more tangible level of $675,000 — a home, two cars, and healthy 401(k) and IRA balances can get a professional married couple close to that amount. Even if it isn't time to talk about trusts, it's good to stay aware of the local tax environment.

Based on these points, it's safe to say my husband and I have plenty to talk about during the holiday season in terms of our longer-term financial picture. Perhaps it's time for me to take my own advice.