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DO I NEED A WILL?¹

1. What Does a Will Do?

A will is a legal document, drafted and executed in accordance with state law, which becomes irrevocable at your death. In your will, you can name:

- **Your Beneficiaries.** These are family members, friends, or charitable organizations who will receive your assets as you direct. You may provide for specific gifts of such items as jewelry or a specific sum of money to named beneficiaries. You should also provide for the distribution of the “residue” of your estate -- that is, your remaining assets (which do not need to be specified) which are not specifically given to individuals or organizations in your will.
- **A Guardian for Your Minor Children.** You may nominate a person who will have the responsibility to care for a child of yours if you and your spouse die before the child attains 18 years of age. You may also name a guardian -- who may or may not be the same person -- to be responsible for management of assets given to a minor child, until the child attains 18 years of age.
- **An Executor.** This person or institution of your choice, named in your will and appointed by the probate court, collects and manages your assets, pays your debts and expenses and any taxes that might be due, and then, in a manner approved by the court, distributes your assets to your beneficiaries in accordance with the provisions of your will. Your executor plays a very important role with significant responsibilities. It can be a time-consuming job. You should choose your executor carefully. A will is a part of your “estate plan.” To provide you with more information, I have enclosed a pamphlet entitled “Do I Need Estate Planning?”

2. Does a Will Cover Everything I Own?

No. Generally speaking, your will affects only those assets which are in your name alone at your death. Some assets which are not affected by your will include:

- **Life Insurance.** The cash proceeds from an insurance policy on your life are paid to whomever you have designated as beneficiary of the policy in a form filed with the insurance company -- no matter who the beneficiaries under your will may be.
- **Retirement Plans.** Assets held in retirement plans, such as a 401(k) or an IRA, are transferred to whomever you have named as beneficiary in the plan documents.
- **Assets Owned as a Joint Tenant.** Assets such as real estate, automobiles, bank accounts and other property held in joint tenancy will pass to the surviving joint tenant upon your death, not in accordance with any directions in your will.
- **“Transfer on Death” or “Pay on Death.”** Some bank accounts and security accounts may be held with a beneficiary designation such as “transfer on death” (“TOD”). Other assets, such as U.S. savings bonds, may be held in a form directing those assets to be “paid on death” (“POD”) to a named beneficiary. These assets will pass pursuant to those directions, and not pursuant to your will.
- **Living Trusts.** Assets held in a revocable living trust at your death are distributed pursuant to the provisions of that trust document. A living trust allows for the management of your assets during your lifetime and the transfer of those assets pursuant to the terms of the trust without a court-supervised probate proceeding. I have enclosed a pamphlet entitled “Do I Need a Living Trust?” which provides more detailed information about living trusts.
- **Your Spouse’s Half of Community Property.** In California, any assets acquired by you and your spouse from earnings during your marriage are community property. You and your spouse own equal shares of those assets. Your will, therefore, affects only your half of the community property, not your spouse’s. Assets that either spouse owned at the date of the marriage, together with gifts and inheritances given to

¹ The purpose of this pamphlet is to provide general information on the law, which is subject to change. If you have a specific legal problem, you may wish to consult a lawyer. This pamphlet was made possible, in part, through the volunteer efforts of the Estate Planning, Trust and Probate Law Section, The State Bar of California.

just one spouse during the marriage, are that spouse's separate property. Your will affects all of your separate property held in your name alone.

Even if your entire estate consists of property held in joint tenancy, a life insurance policy and a retirement plan, you should still consider making a will. If the other joint tenant dies before you do, then the property held in joint tenancy will be in your name alone and subject to your will. If named beneficiaries die before you do, the assets subject to a beneficiary designation may be payable to your estate. You may unexpectedly be entitled to a bonus, a prize, a refund, or may receive an unexpected inheritance which would then be subject to your will as well. If you have minor children, the nomination of a guardian of their person and estate is a very important reason for making a will.

3. **What Happens If I Don't Have a Will?**

If you die without a will ("intestate"), California law will determine the beneficiaries of your estate. Contrary to popular myth, if you die without a will, everything does not automatically go to the state. If you are married, your spouse receives all of your community property. Your spouse will receive part of your separate property, and the rest of your separate property will be distributed to your children or grandchildren, parents, sisters, brothers, nieces, nephews or other close relatives.

If you are not married, your assets will be distributed to your children or grandchildren, if you have any -- or to your parents, sisters, brothers, nieces, nephews or other close relatives. Friends or a favorite charity will receive nothing if you have no relatives and die without a will. In that case, the State of California is the beneficiary of your estate.

4. **Are There Various Kinds of Wills?**

Yes. In California you can make a will in one of three ways:

- A Handwritten or Holographic Will. This will must be completely in your own handwriting. You must date and sign it. Your handwriting has to be legible, and the will must clearly state what you are leaving and to whom. A handwritten will does not have to be notarized or witnessed. Even so, having the will signed by two witnesses is a good idea. It is also a good idea to retain a qualified lawyer to check the will to be sure that it conforms with California law and is clear with respect to your intentions and directions.
- A Statutory Will. California law provides for a "fill-in-the-blanks" will form. The will form is designed for single, married and divorced people with relatively small estates. If there is anything you do not understand or if you are making any provisions which are complicated or unusual, you should ask a qualified lawyer to advise you.
- A Will Prepared by a Lawyer. A qualified estate planning lawyer can provide you with the assurance that your will is prepared in accordance with California law. The lawyer can also offer suggestions and help you understand the many ways that property can be transferred to or for the benefit of your beneficiaries. A lawyer can also help you develop a complete estate plan and offer alternative plans which may save taxes. This kind of planning can be extremely helpful and economical in the long run for you and your beneficiaries. Your lawyer will either personally supervise the signing of your will or will provide you with detailed instructions concerning the rules for its execution by you and two witnesses who are not beneficiaries of your estate.

No matter what kind of will you use, the will should be solely your will and not a "joint will" with your spouse or any other person.

5. **What If My Assets Pass to a Trust After My Death?**

You may make provision in your will for a trust to be created after your death and funded with assets held in your estate. When trusts are created under a will, they are known as "testamentary trusts." With an appropriate beneficiary designation, testamentary trusts can even be beneficiaries of life insurance policies.

If you have a living trust, then your will is often referred to as a "pour over" will. That will provides that any assets held in your name at your death and not in your living trust will be added to the trust, to be held, administered and distributed in accordance with its terms.

For beneficiaries who are minors, you may also consider providing for transfers from your estate to a custodian under the California Uniform Transfers to Minors Act.

6. Can I Change My Will?

Yes. You should review your will periodically because, if it is not up to date when you die, your estate may not be distributed as you wish.

Your will can be changed through a “codicil,” which is a legal document which must be drafted and executed in accordance with the same state laws which apply to wills. A “codicil” is simply an amendment to your will. Your will must not be changed by crossing out words or sentences or making any notes or written corrections on it. You should seek the advice of a lawyer and make a new will when you marry or divorce. You should also review your will when there are any major changes in your family (such as births and deaths), when the value of your assets significantly increases or decreases, and when it is no longer appropriate for the persons named as guardian or executor or testamentary trustee to act in that capacity.

If you have moved to California from another state and have a will which is valid under the laws of that state. California will honor its validity. It is important for you to review your will with a qualified California lawyer, however, since California law will govern the probate of your will if you reside here at your death. If you move to another state, your California will should be reviewed by a lawyer there.

7. How Are the Provisions of My Will Carried Out?

The process by which the provisions in your will are carried out following your death is known as “probate.”

Probate is the court-supervised process developed under California law which has as its goal the transfer of your assets at your death to the beneficiaries set forth in your will, and in the manner prescribed by your will. It also provides for the relatively quick determination of the validity of any claims by creditors against your assets at your death. At the beginning of a probate administration, a petition is filed with the court, usually by the person or institution named in your will as executor. After notice is given, and a hearing is held, your will is admitted to probate and an executor is appointed.

If your will provides that assets shall pass to your surviving spouse at your death, then those assets can be transferred to your surviving spouse through the filing in the probate court of a “spousal property petition,” which is a simpler and less expensive procedure than a formal probate administration. If the assets in your name alone at your death do not include an interest in real estate and have a total value of less than \$100,000, then generally the beneficiaries under your will may follow a statutory procedure to effect the transfer of those assets pursuant to your will, subject to your debts and expenses, without involving the probate court.

Probate has advantages and disadvantages. The probate court is accustomed to resolving disputes about the distribution of assets in a relatively expeditious fashion and in accordance with defined rules. In addition, you are assured that your executor’s actions and accountings will be reviewed and approved by the probate court.

Disadvantages of a probate include its public nature; the provisions of your will and the value of your assets become a public record. Also, because lawyer's fees and executor's commissions are based upon a statutory fee schedule, the expenses may be greater than the expenses incurred by a comparable estate managed and distributed under a living trust. Time can also be a factor; often distributions to beneficiaries can be made pursuant to a living trust more quickly than in a probate proceeding.

8. Who Should Know About My Will?

Other than the lawyer who writes a will for you, no one needs to know what your will says. But the location of your original will should be known by your executor and other close friends or relatives. Your will should be kept in a safe place such as your safe deposit box, your lawyer’s safe, or a locked, fireproof box at your residence.

9. Will My Beneficiaries Have to Pay Estate Taxes?

Assets transferred to your spouse (if he or she is a U.S. citizen) or to charitable organizations are not subject to estate taxes. Assets passing to other individuals will be taxed if the net value of those assets -- in 2011 or 2012 -- exceeds \$5 million. Unless new legislation is passed, that amount will decrease to \$1 million in 2013. For estates which approach or exceed this value, significant estate taxes can be saved by proper estate planning. That planning must usually be accomplished before death and, in the case of married couples, before the death of the first spouse. While estate planning generally focuses upon estate taxes, planning must take into

consideration income, gift, property and generation-skipping taxes as well. Qualified advice about taxes should be obtained during the estate planning process.

10. What Other Planning Should I Do?

List of Assets and Debts

Making a list of your assets and keeping it in a place known to your executor or other family members is of great help to them when you are not able to share that information with them. List your bank accounts, safe deposit boxes, stocks and bonds, real estate, and other assets. Also list the names and addresses of anyone to whom you owe money.

Durable Power of Attorney for Finances

In this document, you appoint another individual (the “attorney-in-fact”) to make property management decisions on your behalf if you are incapacitated. The attorney-in-fact manages your assets and must do so in a prudent manner accountable to you and solely in your best interests.

Advance Health Care Directive

This document allows the person named as attorney-in-fact to make health care decisions for you when you can no longer make them for yourself. It may also contain statements of wishes concerning such matters as life sustaining treatment and other health care issues, and instructions concerning organ donation, disposition of remains and your funeral.

11. How Can I Find a Lawyer to Write a Will for Me?

If you do not know a lawyer who is qualified to discuss your assets and your estate plan with you and to write a will for you, obtain referrals from someone whose judgment you can trust -- friends, associates or your employer. Your local bar association maintains a list of State Bar certified lawyer referral services in your area.

Some lawyers who work in the estate planning area are “certified specialists in estate planning, trust and probate law.” This designation means that they have met standards for certification set by the State Bar of California. However, not all lawyers who have experience and expertise in estate planning have sought that certification.

When you retain a lawyer, you should understand what services are to be provided and how much they will cost. California law requires that a lawyer explain, in writing, the nature of the services to be rendered, the cost of those services and the payment terms. You should indicate your understanding of the terms and conditions of the lawyer's employment with a fee agreement prepared by your lawyer.

The cost of preparing a will depends upon the complexity of the documentation and planning required. Costs may vary from lawyer to lawyer. You may belong to a “legal insurance plan” that covers the kind of services you need. If your income is very low, you may qualify for free or low-cost legal help. Check the white pages of your telephone directory for a legal aid society in your county. You may also contact your county bar association to see if lawyer referral services offer free legal advice for low-income people or if the bar association can direct you to a no-cost legal services organization. You should be wary of organizations or offices which are staffed by non-lawyer personnel and you should determine whether any advisor with respect to your will and estate plan has any underlying financial incentive to sell you a particular investment, such as an annuity or life insurance policy.