The Street

3 Terrible Estate Planning Mistakes You Need to Stop Making

By **Scott Gamm** 08/14/15 - 12:55 PM EDT

NEW YORK (MainStreet) -- Estate planning tends to get pushed to the back burner, as more pressing financial tasks take center stage. But neglecting estate planning is a huge mistake.

Estate planning may involve hiring an attorney or financial advisor, but plenty of people make the mistake of going about estate planning on their own. Some 38% of those with investable assets over $1 million haven't used a professional to help with their estate planning, according to a CNBC survey.

"Most people don't want to think about dying," said Ryan Wibberly, CEO of CIC Wealth based in Gaithersburg, Md. "Part of your financial planning needs to include a discussion about the next generation and wealth transfer."

That aversion to confronting reality leaves vulnerable those who are trying to secure the financial future of their family.

Mistake 1: Not Signing a Will

Even those who are proactive in their planning don't always tie up lose ends: some people, for example, write a will but never actually sign it.

"I have seen instances of individuals waiting years between the drafting of a will and the individual actually signing it," said Nicole Hart, director of trusts and estates at New York-based Sontag Advisory. "Oftentimes, it becomes a priority only when there is a health scare or some other life change."

That's risky thinking - Hart stresses the importance of having a signed will in place before something urgent arises.

Denis Horrigan, partner of Connecticut Wealth Management, based in Farmington, Conn., echoes this mistake many of his clients make.

"Far too often, I see a well thought out, beautifully designed, and expensively drafted estate plan created - that may never be implemented," he said.

Meanwhile, another estate planning no-no surrounds taxes.

Mistake 2: Tax Faux-Pas

"Part of the negligence with estate planning is attributed to the constantly changing nature of federal estate tax laws, which now exempts estate tax for assets under $5.43 million per person," said Kimberly Bernatz, senior vice president of Santa Ana, Calif.-based First American Trust.

Passing $100,000 in assets to a child? You won't be charged federal estate tax.

She said people with assets less than the threshold may think they're exempt from estate planning.

Think again.

"There are many other potential benefits and motivations for estate planning such as avoiding financial disputes about the inheritance, protecting assets from creditors and lawsuits and donating to a philanthropic cause," she added.

And it's not just federal taxes, but state estate tax is part of the equation, too.

"Most people focus on federal estate tax limits and don't realize that their state might have a much smaller estate tax exemption limit," Wibberly added.

Some states impose estate tax on assets worth much less than $5.4 million, like New Jersey with a $675,000 threshold and Oregon, which taxes estates worth more than $1 million.

Mistake 3: Negligence/Being Out-of-Date

Once you've crafted your plan, failure to keep the estate current is another dangerous mistake.

"Almost as important as actually having a plan is making sure that you periodically review and update your plan," Hart said. "It should be reviewed every time a major life event occurs, such as a divorce, a death in the family or the birth of a new child."

She said there are dozens of scenarios that may warrant an update to a plan, such as an out-of-state move.

"Especially in case of a divorce, you want to make sure that your former spouse is not still listed as a primary beneficiary," Wibberly added.