

Estate Planning 101

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What happens to your loved ones if the unfortunate should happen to you? We are all mortal and we all think about "what will happen", but how many of us actually do something about it? Here is your chance to learn about what you can do to help your loved ones upon your death. If something happens to you, an estate plan will instruct those left behind what to do with your estate, how to pay your debts, who should take care of your children, and other important matters. Some of the documents which are often prepared as part of an estate plan are a will, trust, durable power of attorney, and health care directive. While you have probably heard about these documents, here is what they do:

The Will

A will is a document which describes your wishes regarding the distribution of your estate. A will names your beneficiaries (the people who receive your estate), your executor (the person responsible for having the will go through probate), and a guardian for your minor children. Naming a guardian is probably the most important function of a will. If something happens to both parents and a guardian is not named, your children will have to go through a court process to have one named for them. A person who you would not like to have as guardian could be named by the court if you don't make a selection by will.

The Trust

A trust is a document which names trustees (persons responsible for managing the trust) and beneficiaries (people who receive your estate). Unlike a will, a trust does not go through probate and does not become public information. A properly drafted trust may be able to avoid estate taxes, and potentially save your beneficiaries hundreds of thousands of dollars. A trust also gives you more control over what happens to your estate upon your death.

The Durable Power of Attorney

A durable power of attorney is a document which names an attorney-in-fact who will take over for your financial affairs in case you are incapacitated during your lifetime. Having this document eliminates the need for a court proceeding to appoint a conservator and allows you to select the person who will manage your funds.

The Health Care Directive

A health care directive is a document which names a person who will make your health care decisions for you in case you become incapacitated. Having this document decreases the likelihood that your family would be involved in a situation like that of Teri Schiavo, that happened a few years ago.

These four documents are indispensable. Having these documents prepared for yourself and your family eliminates many problems that loved ones face following a death. While it may sound like a lot of documents and a complicated process to have them prepared, rest assured that it is neither of those things. A few hours of your time now will save your family and loved ones much difficulty and money after death.