

## Estate Planning: Tending to Essentials

The common misconception that estate planning is only for the very rich may explain why 70% of adult Americans haven't written a will.<sup>1</sup> But creating vital estate planning documents is wise, no matter what your income.

### **You need a will for three reasons:**

*To name the executor who will manage your estate when you die.* Otherwise, your state will name one—and determine how your assets will be distributed among your heirs.

*To specify who will be guardian* of any children who may still be minors when you die or who will manage the affairs of a disabled adult child. Without a will, a court could pick the guardian from among total strangers.

*To list the beneficiaries* who'll inherit your assets when you die. At will-preparation time, review—and update, if necessary—the beneficiaries of any non-will assets, such as life insurance and tax-favored retirement savings accounts.

### **Give powers of attorney**

By giving a power of attorney, you designate someone else to manage your affairs in your place. There are four types:

- *General power of attorney.* The person you choose can manage your financial affairs when you're not available to do it. But the person can't make health-care decisions for you, and general power of attorney is cancelled if you're incapacitated.
- *Durable power of attorney.* Unlike a general power of attorney, a durable power of attorney is not cancelled if you become incapacitated.
- *Springing durable power of attorney.* It comes into effect only when you are declared incapacitated by a doctor and protects against someone attempting to act on your behalf when you're still vital enough to do so.
- *Durable health-care power of attorney.* Called a health-care proxy in some locales, it permits the person you designate to make health-care decisions for you (but only health-care decisions) if you become incapacitated.

### **Leave medical instructions**

Here are other ways to make sure your wishes about medical treatment are respected, even if you can't speak for yourself:

- *A living will* takes effect only when you become terminally ill and lets you describe the treatment you want at that time.
- *An advance directive* tells the doctor what kind of treatment you want—and don't want. Among other things, it tells the doctor how aggressively to fight to keep you alive when your condition may seem hopeless.
- *A do-not-resuscitate order* goes into your hospital chart when your condition is considered terminal. It instructs the hospital staff not to attempt resuscitation if your heart stops or if you stop breathing.

### **Decide who you'll designate**

Whoever you pick to carry out these chores must be someone you absolutely trust—usually a spouse, sibling or adult child. And briefing everyone in advance on your exact wishes makes them more likely to be carried out. Consult an attorney or other estate-planning specialist for information specific to your situation.

<sup>1</sup>Source: [smartmoney.com](http://smartmoney.com).

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