

The Importance of Estate Planning Documents

There are certain estate planning documents everyone should consider, regardless of their age, stage of life, or net worth.

An estate plan essentially outlines what will happen to you, your dependents, and your assets in the event of death or disability. Unfortunately, many Americans aren't prepared for the worst.

In fact, [according to CNBC](#), 67% of Americans have no estate plan at all. And of those polled, 40% said they simply haven't gotten around to it. Meanwhile, 33% think they don't have enough assets to warrant a plan.

Indeed, the estate planning process can feel complex and daunting for many. But it doesn't have to be.

The following estate planning documents can help protect you, your family, and your assets, no matter your net worth.

#1: Last Will and Testament

A last will and testament is a legal document outlining your final wishes regarding your assets and dependents. Specifically, it allows you to list all your property and heirs and appoint a guardian for your children or pets.

Without a last will and testament, state laws determine how to distribute your assets and who cares for your dependents. Depending on your circumstances, the court's determination may deviate meaningfully from your wishes.

When you create a will, you must also appoint an executor. An executor helps ensure the terms of your will are implemented according to your wishes.

While everyone can benefit from having a will, it's important not to confuse a will with an estate plan. Indeed, a will is just one of several estate planning documents you need to protect your assets and beneficiaries.

#2: Revocable Living Trust

A revocable living trust is a type of trust that lets you access and use your assets during your lifetime and direct where they go after you're gone. With a revocable living trust, you transfer your assets into the name of your trust while you're living.

Upon your death, a trustee distributes your assets to your beneficiaries without having to go through the probate process. This is one of the primary benefits of a living trust.

In addition to potentially saving time and money, avoiding the probate process also keeps your final wishes private. If you believe there may be a contest during the public probate process, avoiding probate can be another major advantage to having a revocable living trust.

It's important to note that trusts can be complex, especially as laws and regulations evolve. Be sure to work with a financial professional in coordination with an estate planning attorney, who can advise you on how to set up a revocable living trust.

#3: Beneficiary Designations

Beneficiary designations allow you to direct non-probate assets to specific people or charities. Unlike a last will and testament or living trust, beneficiary designations apply only to non-probate assets, such as retirement accounts or life insurance.

By listing a beneficiary for a specific asset, you can decide how much to give each beneficiary if you pass away. You can also list multiple primary and contingent beneficiaries.

Like most estate planning documents, updating your beneficiary designations is critical after significant life events such as marriage, divorce, or becoming parents. Even if you haven't had a life-changing event, it's a good idea to review your beneficiaries periodically so they're up to date.

#4: Advance Healthcare Directive

An advance healthcare directive is a legal document that lets you appoint a healthcare agent, share medical information, and outline your healthcare preferences. When it comes to estate planning documents, an advance healthcare directive is critical for anyone over age 18.

In the event others need to make medical decisions on your behalf after you reach the age of majority, they must have permission. In addition, an advance healthcare directive is necessary to ensure that your end-of-life care and support align with your wishes.

Many people select their spouse or partner as their healthcare agent. However, selecting a healthcare agent may not be as straightforward if you're single. In some cases, it may make sense to ask a close family member or friend. No matter who you choose, be sure it's someone you trust and that they're willing and able to carry out your wishes as you desire.

#5: Financial Power of Attorney

Last on the list of essential estate planning documents is a financial power of attorney. Basically, this document lets you select an agent or "attorney-in-fact" to complete financial transactions on your behalf if you're incapacitated.

There are different types of financial power of attorney, from durable to springing, each with different use cases. For example, a durable financial power of attorney appoints someone to act on your behalf immediately and stays in effect if you become incapacitated. Meanwhile, a springing financial power of attorney becomes active only after a specific event.

Additional Estate Planning Documents to Consider

Some estate planning documents aren't necessary for everyone. Depending on your situation and goals, here are a few additional items to consider as you develop your estate plan.

- **Insurance Policies / Financial Information:** While you likely already have these documents, you may want to organize your insurance policy statements and financial account information so that your attorney-in-fact or executor can find it easily if something happens to you.
- **Proof of Identity Documents:** Keep Social Security cards, birth, marriage, and divorce certificates, and prenuptial agreements together, as you may need these during the estate planning process.
- **Titles and Property Deeds:** Gather the titles for your home(s), car(s), and other property, and make sure they align with your estate planning goals. Improperly titled assets can cause problems down the road.
- **Digital Logins and Passwords:** You may also want to compile your digital logins and passwords so they're readily available. In addition, consider appointing a digital executor in your will.
- **Funeral Instructions:** Lastly, it's often a good idea to document any funeral wishes you have, including what type of service you prefer. This is especially important if you have specific objectives that a loved one may not otherwise implement.

Everyone Can Benefit from Having Essential Estate Planning Documents

No one enjoys thinking about and discussing a potential disability or their end-of-life plans. However, failing to have necessary estate planning documents in place can lead to potentially dire circumstances if these unfortunate events occur. Prioritizing these steps helps ensure those closest to you are clear about your financial and healthcare wishes and are equipped to carry them out if needed.

If you're interested in discussing your estate and financial plans with a trusted financial advisor, please [contact us](#). We'd be happy to help you.