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Estate planning 101: Your guide to wills, trusts and all your end-of-life documents

It's never too early to start working on how your things will be handled once you pass away.

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Estate planning spans more than just real estate -- it's an all-encompassing term that refers to the process of organizing, cataloging and making arrangements for the proper handling of your affairs after you die, including your dependents as well as your assets, valuables and heirlooms. It usually involves [writing a will](#), setting up a power of attorney and detailing funeral arrangements. Here are some of the key steps in getting started with estate planning.

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1. Catalog your things

Your estate encompasses more than just your home. It includes all of the things you own including your car and other valuable possessions as well as "intangible assets" such as investments and savings. If you own a business, that's also part of your estate.

Everything you own needs to be assigned a valuation. Your home and other valuables should be appraised. Otherwise, you'll need to estimate values as best you can.

2. Assess your family's needs

One of the key rationales for estate planning is to make sure that your family is cared for in the case of your death or incapacitation. If you're a financial provider for your family, the loss of your income could put them at risk.

Review and/or buy life insurance: [A life insurance policy](#) can help provide a financial cushion that can be used to cover living expenses, college tuition costs and mortgage payments. If you're single or don't have dependents, then you might not need it.

Name a guardian: If you have children under the age of 18, you'll want to work out who will care for them if you pass away. If you don't name a guardian, the court will appoint one.

3. Give everyone a job

Dividing up someone's belongings can be a difficult and emotional task. This can be made easier by ensuring that all of your assets have been assigned a beneficiary. You'll also want to appoint someone (or a few people) to manage the process of dividing up your belongings.

List beneficiaries: In short, who gets what? Beneficiaries can include family members like children, grandchildren and siblings; organizations such as nonprofits and museums; and friends or non-relatives.

Appoint a power of attorney: A financial and/or medical power of attorney is a legal document appointing someone to act on your behalf in the event you can't make decisions on your own. This can be your actual attorney or someone else. Appointing a power of attorney quite

literally means putting your life in someone else's hands -- so it's recommended you appoint a neutral third party: Someone you trust who is not a beneficiary.

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4. Consider hiring a professional

If you don't own a home, car or other major property, you might not need an expert. If you do have significant assets, an attorney who specializes in estate law can save you a lot of time, energy and effort in building out your estate plan.

Some questions to consider:

- **How complicated are my preferences?** The more specific you are, the easier it'll be to divide your assets. Having an estate lawyer can help ensure you're providing sufficient detail to avoid confusion after the fact.
- **How much stuff do I have?** The more things you want to bequeath to others, the more likely you'll need the help of an attorney. If you don't own a home, car or other significant assets, you may not need the help of a lawyer.
- **What's my tax situation?** Estate, inheritance and gift taxes are complicated. [A tax advisor can help you navigate](#) federal and state laws that will impact your heirs and inheritors.

5. Document your plans

Simply telling your loved ones your preferences won't cut it. You'll want a legally bound document laying everything out in as much detail as possible. That's best done in a trust or will.

A last will and testament is a legal document that outlines how you want your assets and affairs handled after you die. This includes appointing an executor, someone to manage how your will is executed. The executor will handle distribution of your assets, appoint a guardian for your dependents and see your will through the probate process.

Read more: [What is a will](#)

A trust can detail your last wishes without the need for probate court, and a revocable living trust can be changed or adjusted. A trust is generally less expensive since it avoids the need for probate while accommodating all of your assets and preferences. When you die, your trust goes into the hands of your trustees, or the legal owner of assets in your trust.

A living will details your healthcare preferences in case you're unable to communicate or make those decisions on your own. (This is also called a medical care or health care directive.) If you're in a position where you require life support or life-saving medications, a living will lists your preferences rather than relying on relatives or friends to make decisions on your behalf.

It's better to start on estate planning sooner than later. But it's an ongoing process, and your documents will need to be updated throughout your life. For instance, if you get married (or divorced), have a child, buy property or other large assets, revising your estate plan is a good idea.



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