

# Estate Planning Basics



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Estate planning might sound like something that's just for wealthy people with huge beach houses and billions in the bank. But the truth is that estate planning is something we all need to think about.

No matter how large or small your [net worth](#), estate planning is a process that ensures your assets are handed down the way you wish after you pass away.

## What is Estate Planning?

Everybody has an estate. It's nothing more or less than the sum total of your assets and possessions of value: car, home, financial accounts, investments and personal property.

Estate planning is the process of deciding which people or organizations receive your possessions once you've passed on. It's also how you leave instructions for managing your care and assets if you are incapacitated and unable to make financial or medical decisions

"Estate planning is just who gets what and how," says Jay Knighton, a board-certified attorney in estate planning and probate with Knighton & Stone in Spring, Texas. "I focus on the word 'plan' because 'estate' freaks people out. So the process is less about the commas and zeros and more about the plan we're sitting down to make."

Here's essentially how estate planning should work:

- **Who?** Your estate plan spells out who gets your assets, and it also designates who can make critical healthcare and financial decisions on your behalf should you become incapacitated. If you have minor children, your estate plan lets you name their legal guardians should you die before they reach 18, and designate adults to safeguard their financial interests.
- **What?** Your estate plan directs assets to specific entities or people in a legally binding manner. If you want your daughter to have your antique desk or your favorite animal rescue organization to get \$500, it's all charted out in your estate plan.
- **How?** The plan is precisely how the "what" gets to "who." For example, you can create a trust to safeguard a minor child's assets until they reach a certain age. You can also keep assets out of probate so beneficiaries can easily access things like your home or bank accounts.

## What's Included in a Basic Estate Plan?

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All estate plans should include documents that cover three main areas: asset transfer, medical needs and financial decisions, says Holly Geerdes, an estate planning attorney with Estate Law Center USA.

### Asset Transfer Documents

The most common asset transfer documents are wills and trusts. These documents will help you name your wishes regarding:

- Distribution of your assets to beneficiaries
- Guardianship and custody of minor children
- Care for special needs children and adults
- Charitable gifts

### Wills

A will is a document that specifies who gets what when you die. A will names a legal representative—your **executor**—who is responsible for directing your assets to the recipients you've chosen.

A will includes provisions for assets with specific beneficiaries and those without. For example, your will could state that your sister gets your engagement ring, but all assets in your estate without a named beneficiary should be equally divided between your brother and sister.

Wills must go through probate, a legal process where the court officially permits your named executor to begin distributing your assets according to the will.

### Trusts

The probate process in some states can be grueling, which is why many people create trusts. Trusts are legal "containers" that hold your assets on behalf of your beneficiaries.

Trusts are estate planning tools that help you avoid the probate process, empowering a trustee you name to distribute your assets according to the trust's provisions. The two most common types of trusts in estate planning are revocable and irrevocable living trusts.

- **Revocable living trust.** This is a relatively simple document that lets your assets pass outside of probate. While you're alive, assets remain in your control. You can even serve as the trustee and make changes as you'd like, from naming beneficiaries to adding additional assets to the trust. When you die, a trustee you name will take over and distribute your assets.

- **Irrevocable living trust.** To avoid estate taxes, consider an irrevocable living trust. These trusts take assets out of your control and transfer control to a trustee—even during your lifetime. However, since assets are officially removed from your estate and placed into the trust, they have the benefit of helping reduce estate taxes.

## Medical Needs

Many people think of an estate plan only as something that kicks in after you die. But there's a lot more to it.

“Estate planning isn't just about transferring assets,” says Geerdes. “It's also about what happens if you become unable to make financial or life-and-death medical decisions.”

To cover your medical bases, Geerdes recommends clients include advance healthcare directives in their plans.

Suppose you can't make healthcare decisions for yourself in the event of an accident or memory loss disorder. In that case, a medical power of attorney (POA) lets you designate an individual to make medical decisions on your behalf. A medical POA covers all areas of healthcare, including end-of-life care.

## Living Will

A living will is your proxy if you can't communicate your wishes to family members and healthcare providers. Unlike a medical POA, a living will only applies to end-of-life decisions and specifies your wishes for life support measures and resuscitation.

Geerdes notes that in some states, an advance healthcare directive can be both a medical power of attorney and a living will so be sure to know the specifics for your state. It may also be helpful to add a HIPAA authorization form to your medical estate planning forms, as this document names who can access your medical records and discuss your care.

## Financial Decisions

Geerdes notes there's one final document in your estate plan that helps protect you during your life: a durable financial power of attorney.

This document lets you name a trusted individual to make legal and financial decisions on your behalf if you're unable to do so. The “durable” in the name means that the power of attorney stays in force should you become incapacitated—physically or mentally.

## What Happens if You Don't Have an Estate Plan?

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Should you not have basic estate planning documents in place—and in a location where your loved ones or those you trust can find them—your estate will go through probate, no matter how big or small.

“Without an estate plan, every state has a plan for you, but rarely is it a plan you want to implement,” says Knighton.

If you pass away intestate—that means without a will—things get messy. The state takes over and decides everything, from where your assets go to who gets custody of your children. The process can be slow and grueling for your loved ones. It can all be avoided by putting a few documents, including a basic will, in place so that you and those you trust remain in control of your estate.

If you're concerned about estate planning costs, don't be. It's likely way more affordable to get the protection you need for much less than you expect.

## How Much Does Estate Planning Cost?

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The answer is a resounding “it depends.” Costs will vary depending on whether you seek expert advice from an estate planning attorney or opt for a lower cost do-it-yourself route.

### Estate Planning Attorneys

Knighton often crafts basic yet highly customized estate plans for clients in the \$1,500 to \$2,000 range. With that, clients get his expertise as a board-certified estate planning attorney and a plan designed to carry out precisely what they envision—which he says is where do-it-yourself options can sometimes break down.

“How you want your plan to work and building the plan to make your plan work are often two different things,” he says.

Those with more complex finances should be ready to pay more for a comprehensive estate plan that protects themselves, their assets and their loved ones. Those with significant assets needing unique trusts to direct those assets could see planning costs into the tens of thousands of dollars, if not more.

“The more twists and turns we need to take to get what you want to where it needs to go, the higher planning costs will be,” says Knighton.

### Do-It-Yourself Estate Planning

Thanks to the Internet, you have plenty of low-and no-cost ways to build your estate plan online. These DIY services are typically best for those with relatively simple finances who want to quickly ensure they have a plan to avoid probate.

- **FreeWill.** This online service helps you build a basic estate plan (state-specific will, advance healthcare directives, durable financial POAs) just as its name implies—for free. California residents can also score a free revocable living trust. It can also help you plan your beneficiary designations and create charitable gifting plans for stocks and [cryptocurrency](#) assets through Crypto for Charity.
- **Trust & Will.** While not the lowest-cost option in the digital estate planning space, Trust & Will offers a comprehensive will-based estate planning package for \$199 for individuals and \$299 for couples, plus a \$19 per year ongoing membership if desired. Your package includes a state-specific will, living will, POA and HIPAA authorization documents. If you want insights from a licensed estate planning attorney, that’s an add-on service for \$300 per year.
- **Wealth.** A relative newcomer, this platform offers a comprehensive online estate planning experience, complete with an online dashboard that dynamically tracks your assets plus emergency contacts and executor or trustee. The Will Plan option provides a will plus power of attorney guardianship nominations priced at \$189 for individuals and \$239 for couples.

Jarrod Sandra, a certified financial planner (CFP) with Chisholm Wealth Management, says that those wanting to go the DIY estate planning route should explore online services but also consider the value of professional insight before finalizing a plan.

“It’s best to have a conversation to fully understand the implications of what you’re doing. Software doesn’t always provide that,” he says. “Yes, you will pay more, but you’re likely getting much more value for your dollars with a person versus software.”