What is Estate Planning?

Worksheet

Estate planning is legal preparation of your assets and wishes to ensure they go to chosen heirs tax-efficiently and without court delays. A will, powers of attorney, and trusts are core documents.

Questions

1. Why is estate planning important?
A) Only rich people need it
B) Ensures assets go to chosen heirs tax-efficiently
C) It's illegal not to plan
D) It costs nothing

2. What does an executor do?
A) Inherits all the money
B) Manages the estate and distributes assets per the will
C) Pays taxes only
D) Sells all property

3. What is a major advantage of a trust over a will?
A) Cheaper to create
B) Avoids probate and keeps assets private
C) Doesn't require a lawyer
D) Works without a will

4. If someone dies without a will, who decides what happens to their assets?
A) Their friends
B) The court (intestacy laws)
C) Their bank
D) The government keeps everything

5. A person dies with a house (€300k), car (€25k), and bank account (€50k). No will exists. What happens?

6. A parent wants to leave €100k to a 10-year-old child safely. How?

7. An estate is worth €500k, and taxes are 20%. How much goes to heirs?

8. Define: What is a will?

9. Define: What is an executor?

10. Define: What is a trust?

Answer Key

1. B) Ensures assets go to chosen heirs tax-efficiently — Estate planning saves time, money, and ensures your wishes are fulfilled.

2. B) Manages the estate and distributes assets per the will — The executor settles debts, pays taxes, and distributes assets to heirs.

3. B) Avoids probate and keeps assets private — Trusts avoid public probate court and transfer assets directly to beneficiaries.

4. B) The court (intestacy laws) — Intestacy laws define how the state distributes assets among legal heirs.

5. The court applies intestacy laws (default state rules). Assets are divided among legal heirs: spouse, children, parents (depends on local law). Without a will, the person has no say and court costs are higher.

6. A will alone isn't enough — the child can't manage money. Create a trust: appoint a trustee to manage funds until age 18 or 21. The trustee disburses money for education, health, and eventually hands over the principal.

7. Estate tax = €500k × 0.20 = €100k. Net to heirs = €500k − €100k = €400k. Estate planning can reduce taxes via gifts during life, charitable donations, or trusts.

8. A legal document stating who inherits your property and who manages your estate after death.

9. The person appointed in your will to settle debts, pay taxes, and distribute assets to heirs.

10. A legal arrangement where a trustee manages assets on behalf of beneficiaries, avoiding probate.