What is Estate Planning?

Worksheet

Estate planning is creating a legal framework (will, trust, power of attorney, healthcare directive) that dictates how your assets are distributed, who manages them, and how decisions are made if you become incapacitated. Without a plan, state laws decide — often against your wishes.

Questions

1. What is the main benefit of a living trust over a will?
A) No probate delays
B) Lower taxes
C) Broader asset protection
D) No legal fees

2. What does probate do?
A) Eliminates inheritance tax
B) Validates the will in court
C) Splits assets equally
D) Removes the need for a will

3. What happens if you die without a will or trust?
A) Assets go to the state
B) Your family decides distribution
C) The state's laws decide (intestacy)
D) Everything goes to your spouse

4. Who carries out your will's instructions?
A) The court
B) The executor
C) A lawyer
D) Beneficiaries

5. Jordan has $500,000 in assets (house, investments, savings) and three adult children. Without an estate plan, what happens?

6. Taylor creates a will and names her sister as executor. What does the executor do?

7. Morgan sets up a living trust while healthy. Morgan becomes incapacitated in a car accident. How does this help?

8. Define: What is a will?

9. Define: What is a living trust?

10. Define: What is a power of attorney?

Answer Key

1. A) No probate delays — Trusts avoid probate entirely, allowing immediate distribution without court delays (6–12 months typical).

2. B) Validates the will in court — Probate is a court process validating the will, paying debts, and distributing assets — it's public and slow.

3. C) The state's laws decide (intestacy) — Intestacy laws vary by state but generally split assets equally among heirs, sometimes against your wishes.

4. B) The executor — The executor is the person you name to execute (carry out) the instructions in your will.

5. If Jordan dies without a will or trust, the state's intestacy laws decide: likely an equal 3-way split ($167K each). If Jordan wanted one child to inherit the house and another the investments, that's now lost. Time and legal fees to probate court multiply costs.

6. The executor files the will in probate court, notifies heirs and creditors, inventories assets, pays taxes/debts, and distributes remaining assets per the will. This typically takes 6–12 months and costs 3–7% of the estate.

7. A living trust includes a successor trustee — Morgan's daughter, who takes over managing the trust assets immediately without court delays. If Morgan only had a will, a court would appoint a guardian for medical/financial decisions and probate would delay distribution.

8. A legal document stating how you want your property distributed after death. Goes through probate (public court process).

9. A trust created while you're alive. Avoids probate, keeps finances private, and allows a successor trustee to take over if you become incapacitated.

10. A legal document allowing someone (agent) to manage your finances or make decisions on your behalf if you become unable.