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Why You Need an Estate Plan and 5 Documents You Need in It

There is a certain widespread misconception around estate planning. This misconception is, essentially, the sentiment that not every adult needs an estate plan. Or, that estate plans are *only* for the rich and famous. The truth is that if you are over the age of 18 and reading this free resource provided by Velazquez Consumer Law, LLC, you need a plan for your estate.

What most people think of when they hear the term “estate planning” is their Last Will and Testament, which is often the foundation of an effective estate plan. This document, as many people know, can bequeath certain assets and property to family members. For example, a decedent might leave \$50,000 to each grandchild to help pay for college.

Estate planning, though, can accomplish so much more than just placing names on items in your estate. With an estate plan, you can also accomplish the following things:

- **Name guardians for your minor children.** If you and your children’s other parent were to suddenly pass, the state already has a plan for the

care of your children. This plan might not coincide with your wishes or, more importantly, what is best for your kids.

- **Designate a personal representative for your estate.** When anyone passes away in the state of Illinois, someone must take care of tying up loose ends, such as paying final bills and taxes and distributing the assets that are left. When you plan for the settling of your estate, you can choose who your personal representative (sometimes called the executor or fiduciary) is. Otherwise, the probate court may appoint someone irresponsible or unethical.
- **Reduce the amount of your estate lost in probate.** If your estate must pass through probate court, 5-15 percent of the value of your estate will be lost in the process due to various fees that must be paid. Crafting a plan for your estate ensures that your loved ones and beneficiaries will enjoy the full amount of your estate while also receiving their inheritances efficiently.

Those are just some of the reasons why everyone can benefit from having a plan for their estate. There are many more advantages that cannot be covered in this free resource, which necessitates your visiting a qualified and experienced estate planning law firm like Velazquez Consumer Law, LLC. You can call us today at 630-576-9030 to set up an appointment or get your questions answered.

What Do You Actually Need in Your Estate Plan?

Without having the help of an estate planning attorney, it can be difficult to know which documents will best serve you. There are countless estate planning tools available, and you will probably not need the vast majority of them. Below, we will outline five common documents employed by estate planners and provide a brief description of each form.

1. Last Will and Testament or Living Trust. As we mentioned above, most everyone starts off with a Will for their estate plan. This document is rather versatile; it can designate inheritances for your loved ones, name a personal representative to handle your estate, name guardians for your minor children, and establish custodial accounts for any beneficiaries of yours who are incapacitated.

One other estate planning document that is synonymous with Wills is a revocable or irrevocable living trust. This estate planning tool acts as one secure location in which you can place assets and property; your living trust will eventually be taken over by a trustee, who will distribute the trust's contents in accordance with your wishes. Individuals with estates valued over a certain amount can take advantage of trusts to lower tax burdens and avoid probate court.

2. Power of Attorney. You might be familiar with the term “power of attorney” or heard it in passing. This legal form gives someone else (and agent) the authority to act on your behalf. There are several power-of-attorney types, including:

- **Durable power of attorney:** with this type, your agent can still make decisions and act on your behalf when you lose capacity.
- **Springing power of attorney:** a springing power of attorney only goes into effect when you, the principal, lose capacity.
- **Financial power of attorney:** many people use this classification to empower someone to engage in real estate transactions or handle other financial matters when they are unable to do so.

Again, this is not an exhaustive list; an attorney will be able to identify which powers of attorney are best suited to accomplish your goals.

3. Health Care Surrogate or Advance Health Care Directive. This is an especially sensitive aspect of any estate plan. It is tough to think about, but there will likely come a point where you need to make a decision about whether or not you want to continue receiving life-prolonging measures (like being fed through a tube or placed on a mechanical ventilator).

The problem is, though, that you may not be able to communicate your wishes when this time comes. Fortunately, there are estate planning tools that can help you in this situation. You can either designate a health care surrogate who can carry out your wishes or put your specific desires in writing through an advance health care directive.

4. Trusts. We already mentioned living trusts, but there are many more types of trusts that can accomplish different things for estate planners. For example, there are:

- **Asset protection trusts:** as its name suggests, an asset protection trust is designed to shield your assets from creditors so your beneficiaries can enjoy the full amount of their inheritances.
- **Special needs trusts:** individuals with special needs who rely on government benefits are sometimes in danger of losing those benefits after receiving an inheritance.
- **Charitable trusts:** to avoid various estate and gift taxes, individuals often place assets in a charitable trust, which will eventually pass on to their intended charity.
- **Land trusts:** this estate planning tool can be an effective way for a beneficiary of yours to convey ownership of real property and receive their ownership interest when you pass on.

5. Beneficiary Forms. Retirement accounts will often automatically designate certain people as your beneficiaries. With a beneficiary form, you can generally

have complete control over who receives the benefits from your 401(k) plan, IRA, life insurance policy, and other financial accounts.

Conclusion

We sincerely hope this free resource of ours has conveyed the importance of drafting an estate plan. Without one, your minor children could end up under the care of someone you wouldn't want looking after them. Your precious assets and heirlooms could also be in danger of ending up in the wrong hands.

These are just some of the many benefits of estate planning. Velazquez Consumer Law, LLC would be honored to sit down with you and determine your goals when it comes to estate planning. After that, we will communicate your options to you and work with you to have certainty and peace of mind. Reach out to us through our website or call us today at 630-576-9030.