
Professional Certificate in Investments for Teens

Estate Planning

Advance Health Care Directive (AHCD)

An AHCD is a legal document that outlines a person's medical wishes in the event they become unable to make decisions for themselves. It often includes a living will and a health care proxy. The living will specifies the person's wishes regarding end-of-life medical treatments, while the health care proxy designates someone to make medical decisions on their behalf.

Related terms: Living Will, Health Care Proxy, End-of-Life Medical Treatments

Example: John creates an AHCD to ensure that his wishes regarding medical treatments are followed if he becomes unable to make decisions for himself.

Practical application: An AHCD can provide peace of mind for both the individual and their family members, knowing that their medical wishes will be respected.

Challenge: It's important to regularly review and update an AHCD to ensure that it accurately reflects the individual's current medical wishes.

Beneficiary Designation

A beneficiary designation is a legal document that specifies who will receive the proceeds of a life insurance policy, retirement account, or other financial asset upon the death of the owner.

Related terms: Life Insurance, Retirement Account, Financial Asset

Example: Sarah designates her three children as the beneficiaries of her 401(k) retirement account.

Practical application: Regularly reviewing and updating beneficiary designations can help ensure that the intended recipients receive the financial assets.

Challenge: It's important to coordinate beneficiary designations with the overall estate plan to avoid conflicts and ensure that the assets are distributed according to the individual's wishes.

Capital Gains Tax

Capital gains tax is a tax on the increase in value of an asset, such as stocks or real estate, when it is sold.

Related terms: Asset, Stocks, Real Estate

Example: When John sells his rental property for a profit, he will owe capital gains tax on the increase in value of the property.

Practical application: Minimizing capital gains tax can be an important consideration in estate planning, as it

can help maximize the value of the estate for the beneficiaries.

Challenge: Capital gains tax laws can be complex and subject to change, making it important to regularly review and update the estate plan.

****Durable Power of Attorney****

A durable power of attorney is a legal document that grants someone the authority to manage another person's financial affairs, even if they become incapacitated.

Related terms: Financial Affairs, Incapacitated

Example: Jane creates a durable power of attorney and grants her husband the authority to manage her financial affairs if she becomes unable to do so.

Practical application: A durable power of attorney can help ensure that financial affairs are managed effectively, even if the individual becomes unable to manage them themselves.

Challenge: It's important to choose a trustworthy and responsible person to serve as the attorney-in-fact, as they will have significant control over the individual's financial affairs.

****Estate****

An estate refers to the total value of all the assets and liabilities that a person owns or controls at the time of their death.

Related terms: Assets, Liabilities

Example: John's estate includes his primary residence, investment properties, retirement accounts, and personal belongings.

Practical application: Estate planning involves managing and distributing the estate according to the individual's wishes.

Challenge: Properly valuing and managing an estate can be complex and time-consuming, making it important to seek professional advice.

****Estate Planning****

Estate planning is the process of managing and distributing a person's assets and liabilities after their death.

Related terms: Assets, Liabilities

Example: Sarah works with an estate planning attorney to create a will, trust, and other legal documents to manage and distribute her estate according to her wishes.

Practical application: Estate planning can help ensure that assets are distributed according to the individual's wishes, minimize taxes, and avoid conflicts among beneficiaries.

Challenge: Estate planning can be a complex and ongoing process, requiring regular reviews and updates to ensure that it reflects the individual's current wishes and circumstances.

****Estate Tax****

Estate tax is a tax on the transfer of assets from a deceased person's estate to their beneficiaries.

Related terms: Assets, Beneficiaries

Example: John's estate is subject to estate tax, which will be paid by his beneficiaries before they receive their inheritance.

Practical application: Minimizing estate tax can be an important consideration in estate planning, as it can help maximize the value of the estate for the beneficiaries.

Challenge: Estate tax laws can be complex and subject to change, making it important to regularly review and update the estate plan.

****Executor****

An executor is a person appointed in a will to manage and distribute the assets of a deceased person's estate.

Related terms: Will, Assets, Estate

Example: Jane appoints her brother as the executor of her estate in her will.

Practical application: The executor has a fiduciary duty to manage the estate according to the instructions in the will and in the best interests of the beneficiaries.

Challenge: Serving as an executor can be a complex and time-consuming process, requiring attention to detail and organizational skills.

****Gift Tax****

Gift tax is a tax on the transfer of assets from one person to another during their lifetime.

Related terms: Assets, Transfer

Example: Sarah gives her daughter a gift of \$15,000 to help her purchase a car.

Practical application: Minimizing gift tax can be an important consideration in estate planning, as it can help maximize the value of the estate for the beneficiaries.

Challenge: Gift tax laws can be complex and subject to change, making it important to regularly review and update the estate plan.

****Guardianship****

Guardianship is a legal relationship in which a person is appointed to manage the affairs and make decisions on behalf of another person who is unable to manage their own affairs.

Related terms: Legal Relationship, Affairs, Decisions

Example: Jane appoints her sister as the guardian of her minor children in her will.

Practical application: Guardianship can help ensure that minor children are cared for and their affairs are managed effectively if their parents become unable to do so.

Challenge: Choosing a guardian can be a difficult decision, requiring careful consideration of the individual's values, lifestyle, and ability to care for the children.

****Health Care Proxy****

A health care proxy is a legal document that designates someone to make medical decisions for another person if they become unable to make decisions for themselves.

Related terms: Legal Document, Medical Decisions, Incapacitated

Example: John designates his wife as his health care proxy in his advance health care directive.

Practical application: A health care proxy can help ensure that medical decisions are made in the individual's best interests and according to their wishes.

Challenge: It's important to choose a trustworthy and responsible person to serve as the health care proxy, as they will have significant control over the individual's medical care.

****Inheritance Tax****

Inheritance tax is a tax on the transfer of assets from a deceased person's estate to their beneficiaries.

Related terms: Assets, Beneficiaries, Estate

Example: John's beneficiaries are subject to inheritance tax on the assets they receive from his estate.

Practical application: Minimizing inheritance tax can be an important consideration in estate planning, as it can help maximize the value of the estate for the beneficiaries.

Challenge: Inheritance tax laws can be complex and subject to change, making it important to regularly review and update the estate plan.

****Irrevocable Trust****

An irrevocable trust is a trust that cannot be modified or terminated once it has been established.

Related terms: Trust, Modified, Terminated

Example: John establishes an irrevocable trust to hold his life insurance policy, ensuring that the proceeds

will be managed and distributed according to his wishes.

Practical application: An irrevocable trust can help minimize estate taxes, protect assets from creditors, and ensure that assets are managed and distributed according to the individual's wishes.

Challenge: Once an irrevocable trust has been established, it cannot be modified or terminated, making it important to carefully consider the terms and conditions before creating the trust.

****Joint Tenancy****

Joint tenancy is a legal arrangement in which two or more