

Estate Planning: 7 Ways to Get Started

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Key Takeaways

- Consider your time horizon, goals and appetite for risk when investing.
- Diversify. That is, "Don't put all your eggs in one basket."
- Watch expenses — they can eat away at your returns.



No one likes thinking about death — especially their own. But creating an estate plan, a set of documents that details what will happen to all of your assets when you pass away, provides your heirs guidance on how to follow your final wishes after you're gone.

Despite this, the process of how to start estate planning can feel overwhelming. That may be why only four in 10 Americans have an estate plan in place, according to a [recent survey by caring.com](#). [Opens in new window](#)

Creating an estate plan is simply a matter of breaking it down into its component parts. Here are seven components to consider and how to get started:

1. A will

Your [will](#) is a legal document that lists how you would like any assets distributed. If you have children, you will also name who will care for them if both of their parents have passed away.

First step: Use an online service to create your will or work with a lawyer if you have a more complicated estate.

2. Health care directives and a health care proxy

Health care directives are a set of documents that convey how you would like to handle a medical crisis if you're unable to communicate. You may also name a health care proxy, or someone you entrust to make medical decisions on your behalf.

First step: Call your Area Agency on Aging to get the forms necessary for your state, or hire a lawyer.

3. Financial power of attorney

Similar to a health care proxy, financial power of attorney gives someone the authority to make financial decisions on your behalf if you're unable to do so. Your power of attorney can pay your bills while you're in the hospital or make larger decisions such as managing your investments or selling real estate to help pay for medical care.

First step: Think about who you'd like to appoint, then hire a lawyer or use an online legal service to create the documents.

4. Name beneficiaries on your financial accounts

Naming a [beneficiary](#) on accounts such as a 401(k) eliminates confusion, and allows for a speedier transfer of assets. It's important to update your beneficiaries after a life event such as a marriage or divorce.

First step: Log into your retirement accounts and check the settings to see your current beneficiaries and update as necessary.

5. Life insurance

[Life insurance](#) provides additional financial support to your loved ones after you die. It's particularly important to carry life insurance if you have children or other dependents, or if you're leaving behind a large amount of debt, such as a mortgage.

First step: Talk to an insurance broker to determine how much life insurance you need and the right type of policy.

6. Information on your digital assets

In today's online world, it's important for your heirs to understand how to access your digital life after you're gone.

First step: Provide a list of accounts and passwords along with your will and other estate documents to your heirs. If you have multiple accounts to keep track of, consider using a password manager, which they can use to access other accounts.

7. A letter to your family

This is an unofficial part of how to start estate planning, but many people choose to write a letter that explains the reasoning behind their decisions or offers advice or final words to family members.

First step: Think about whether there are any sections of your will that might leave your loved ones with questions that you can answer.

What you can do next

Get started on your estate plan today by contacting a lawyer or downloading the necessary documents online. While it's not pleasant to consider what will happen in the event your own death, having plans in place will give you peace of mind that you've made a difficult situation easier for your loved ones.

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