

Estate Planning: Covering Your Bases, Part 1

Regardless of your age, health, or wealth, estate planning involves attending to documents key to executing your wishes should you become physically or mentally unable to direct your own estate plan.



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As critical as estate planning is, assuring your estate will be distributed as you wish is far from difficult or complicated. For most of us, estate planning boils down to executing a few key documents: a will, a durable power of attorney and advance medical directives, and occasionally, one or several types of trusts. In this series of three articles, Stephen Schramm, HBKS Wealth Advisors, and Amy Dalen, HBK CPAs & Consultants, explain the role each of these documents plays in your estate planning process. The following article, part 1 of the series, addresses Durable Power of Attorney and Advance Medical Directives.

Durable Power of Attorney

If no one is ready to look after your financial affairs when you are physically or mentally unable, your property may be wasted, abused or lost. A Durable Power of Attorney (DPOA) helps protect your property by authorizing someone else to act on your behalf, so he or she can do things like pay everyday expenses, collect benefits, watch over your investments and file tax returns.

There are two types of DPOAs: an Immediate DPOA, which is effective immediately and might be appropriate, for example, if you face a serious operation or illness; and a Springing DPOA, which is not effective unless or until you become incapacitated.

If you reside in more than one state, you may need a DPOA for each state as different states have different requirements. Some states do not permit DPOAs. In those situations, a living trust may be used to avoid a guardianship proceeding. Your HBK advisor can help you with state-specific rules.

Advanced Medical Directives

Advanced medical directives let others know what medical treatment you would want, or allows someone to make medical decisions for you, in the event you are unable to express your wishes yourself. If you don't have

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an advanced medical directive, medical decisions are left to your family members, your guardian (if appointed) and your physician; they could choose to prolong your life using artificial means.

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Living Will. Allows you to approve or decline certain types of medical care, even if you will die as a result of that choice. In most states, living wills take effect only under certain circumstances, such as terminal injury or illness. Generally, one can be used only to decline medical treatment that “serves only to postpone the moment of death.” In those states that do not allow living wills, you may still want to have one to serve as evidence of your wishes.

Durable Power of Attorney for Health Care (known as a health-care proxy in some states). Allows you to appoint a representative to make medical decisions for you. You decide how much power to assign to your representative.

Do Not Resuscitate (DNR) Order. A doctor’s order that tells medical personnel not to perform CPR or other life-saving measures if you are faced with a severe life-threatening situation. There are two types of DNRs. One is effective only while you are hospitalized. The other is used when you are outside the hospital. □

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