

Why is  
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# Estate planning *basics*

Prepare for the expected—  
and the unexpected



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# Why is estate planning *important?*

Your estate is a fancy term for your house, savings, retirement plan, and investments.

An estate plan states who should receive your assets and make decisions on your behalf if something were to happen to you. And it includes both financial and nonfinancial decisions.

If you don't have a plan, the courts may decide for you—and they may not make the same decisions you would.



## Who should have an estate plan?

- ☐ Married
- ☐ Own a home
- ☐ Have kids
- ☐ Have a retirement plan
- ☐ Have savings or investments

See results

**Everyone**—if you answered yes to any of these, you need an estate plan

Estate = possessions

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# The three Ps of estate planning



Hover over each circle for more detail.

An estate plan can help you:



Plan



Pass



Preserve



# More than just finances

Your estate plan should cover both financial and nonfinancial considerations, including your health and family.



## Your finances

- Minimizing transfer costs and liability on your death
- Choosing a trustee, guardian, proxy, and other representatives
- Assigning power of attorney



## Your health

- Disability protection
- Deciding on a healthcare proxy
- Making decisions for a living will



## Your family

- Life insurance to protect your family's finances
- Beneficiary designations for your accounts and policies
- How to provide for your spouse and family
- Succession plans for a family business
- How to avoid family conflicts by making decisions in advance



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# The *key* parts of an estate plan



Click on a box to learn about each of these  
critical components of an estate plan.

1 Life insurance

2 Wills

3 Guardianship

4 Trusts

5 Power of attorney

6 Living wills and health proxies



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# 1 Life insurance

A life insurance policy provides a tax-free death benefit to the named beneficiaries. The amount of money paid by the insurance company to your named beneficiaries is generally distributed in regular intervals.

If you have family members who depend on you financially, then you probably should consider having life insurance. In the event of your death, your life insurance can help replace your salary so that your dependents may carry on.

You might also want to consider disability insurance, which can protect your family’s finances in the event you become ill or injured and are unable to work.

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Life insurance death benefit proceeds are generally excludable from the beneficiary’s gross income for income-tax purposes; however, there are a number of exceptions, including, but not limited to, when a life insurance policy has been transferred for valuable consideration. No legal, tax, or accounting advice can be given by John Hancock, our agents, employees, or registered representatives. Prospective purchasers should consult their professional tax advisor for details.



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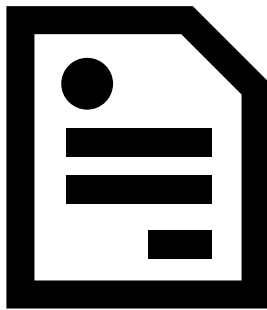
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## 2 Wills

A will is a written document that expresses your wishes and intentions. Done properly, your will directs how your assets—money and property—should be distributed after your death.

With your will, you’ll specify who will receive which assets when you pass away. You should consult with a lawyer or a professional familiar with the estate planning laws in your jurisdiction. Be sure to review and update this document often—especially if a major life change has occurred, such as having children or getting married or divorced.

Why bother? Because if you don’t, the courts, using state law, will decide how your assets will be distributed and may also make guardian decisions—and they may not align with your wishes.

A written **will** makes it clear how you want your assets to be distributed after your death.

### Important parts of a will<sup>1</sup>

|                            |  |
|----------------------------|--|
| <b>Personal info</b>       | Basic personal information about yourself, such as your: <ul style="list-style-type: none"><li>• Full name</li><li>• Birth date</li><li>• Address</li><li>• Name of spouse or partner</li></ul>                        |
| <b>Testamentary intent</b> | Legal language that states that the document is your will  |
| <b>Executor</b>            | The person you appoint to carry out the terms set out in your will   |
| <b>Guardian</b>            | The person you appoint to look after your children in the event you and your partner pass away   |
| <b>Beneficiaries</b>       | You’ll need to decide who will receive the assets you leave behind, such as family members, friends, charities, businesses, or a trust. You’ll want to find out the laws for who can be your beneficiary in your state |
| <b>Assets</b>              | You direct who will receive which of your assets, when they’ll receive them, and under what conditions   |
| <b>Signatures</b>          | Most states require you, the person writing the will, and two witnesses to sign a last will and testament  |

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<sup>1</sup> [“Breaking down the different parts of a will,”](#) Gentreo, January 2025.



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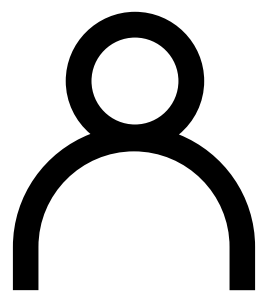
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## 3 Guardianship

A guardian is a person you appoint to take care of your children should you and any child's other parent pass away. You can also appoint a guardian to any dependent who's under your care, such as an adult child with a disability or an older parent. It's important to have a plan in place to protect those you love so that the courts don't do it for you. Don't forget to talk to your chosen guardian(s) about your decision and get their consent to the appointment to ensure things go smoothly if the time comes.

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# 4 Trusts

A trust is a legal arrangement that can manage and distribute your assets either while you’re alive or after your death. You might want to set up a trust if you have beneficiaries who are minors or who are otherwise unable to manage their finances.

When you set up a trust, you decide how to transfer part or all of the assets to trustees. A trustee can be a relative or a trust officer who has a fiduciary duty to manage the trust assets and make decisions in the beneficiary’s best interests.

## Trusts can be revocable or irrevocable

**A revocable trust** is a documented arrangement that can hold assets that you transfer to it. With a revocable trust, you retain control of assets while you’re still alive, and you can change or cancel it at any time. On your death, your successor trustee distributes the assets according to the terms of the trust.

**An irrevocable trust** is set up so that assets may not be included as part of your estate. These types of trusts are often created to help with estate taxes and, because they’re irrevocable, trust assets can’t be accessed by the individual (grantor) who established the trust.

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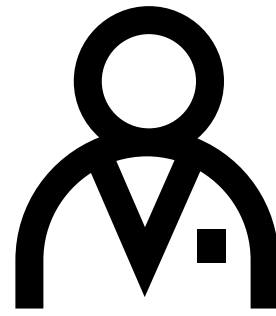
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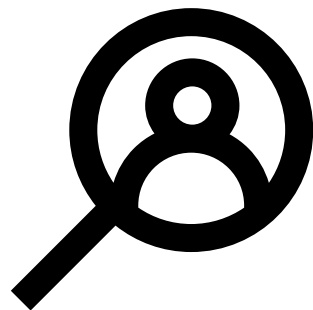


## 5 Power of attorney

You assign your power of attorney to someone you can trust to make decisions on your behalf should you be unable to do so. Their responsibilities can include signing legal documents and dealing with your financial and legal affairs. Despite the name, the person who you assign power of attorney doesn't have to be a lawyer. You'll likely want to consider choosing a relative or a friend who knows you well and whom you trust.

A power of attorney may be **general** or **limited**.<sup>3</sup> In addition, a power of attorney may be specified as durable, which means that if you become legally incapacitated, the power of attorney will continue if that's your wish.

|                |  |
|----------------|--|
| <b>General</b> | Makes decisions on your behalf in any and all matters as allowed by the state. Examples include: <ul style="list-style-type: none"><li>• Managing bank accounts</li><li>• Signing checks</li><li>• Selling property and assets such as stocks</li><li>• Filing taxes</li></ul> |
| <b>Limited</b> | Makes decisions on your behalf in specific instances, for a specific period of time (e.g., you'll be out of the country), or for specific purposes (e.g., closing on the sale of a parcel of real estate).   |



## 6 Living wills and health proxies

In a living will—or advanced directive—you indicate your wishes for end-of-life care before you need it. This means that if you're injured or incapacitated and someone else needs to make decisions for you regarding your life support, they'll know your wishes from your living will. Your healthcare proxy is the person you appoint to make medical decisions, including those described in your living will, when you can't.

Every state has different rules and forms for living wills, so check with a lawyer or your state's website for more information.

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<sup>3</sup> ["Power of Attorney \(POA\)," investopedia.com](#), April 2024.



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# Plan your next steps

Now you’re ready to get started on your estate plan with these steps.

## Step 1 Calculate your net worth

Your net worth is the sum of all the financial assets you own minus all of the debts you owe. It doesn’t explain everything about your financial situation, but it helps you understand how much would be left to pass along to loved ones once all your debts are paid.

Here’s a simple example of how to calculate your net worth<sup>4</sup>:

| Assets                  |        | Liabilities  |        |
|-------------------------|--------|--------------|--------|
| Home                    | \$200K | Mortgage     | \$180K |
| Bank account            | \$20K  | Credit card  | \$5K   |
| Retirement savings      | \$50K  | Student loan | \$15K  |
| Total                   | \$270K | Total        | \$200K |
| Total net worth         |        |              |        |
| \$270K – \$200K = \$70K |        |              |        |

For illustrative purposes only. Individual circumstances may vary and may not be reflective of your situation.

Assets – Liabilities = Net worth

<sup>4</sup> [“Net Worth Calculator: What Is My Net Worth?”](#), NerdWallet, October 2024.





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# Step 2 Identify the people involved in your plan

In addition to yourself, your partner, and your lawyer, creating and then carrying out an estate plan involves several other people.




Click on each square for more detail.

You'll want to consider talking to:



**Family and friends**

- Decide who will act as trustees, executors, and/or guardians
- Decide who you'll assign durable powers of attorney and healthcare powers of attorney



**Financial and legal professionals**



Download these handy flyers to get information on how you can incorporate estate planning into different stages of your life:

- Estate planning tips for people under 50
- Estate planning tips for people 50 and over



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## Step 3 Put your plan together

Now you're ready to put your plan together.

- **Create your estate plan to-do list**—Write down what needs to be done, create the plan and who should do it, and make a list of the people you've identified in step 2.
- **Gather information**—Write down the details about your savings/investments, retirement plans, and existing insurance that your executor and beneficiaries will need.
- **Notify**—Talk to the people you identified in step 2 about their roles and get their consent.
- **Bring in your professionals**—Talk to your financial and legal professionals about strategies for closing the gaps between your intentions/wishes and your plan.

Your estate plan may need to change as your life and finances change. Review it from time to time, update any outdated information, and make sure it's still aligned with your wishes.



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