Feb. 24, 2011 - During your lifetime, you make a lot of moves to provide financial security to your loved ones. You put away money for college for your children. You save and invest for your own retirement so that you won't burden your grown children with significant expenses. And you purchase adequate life insurance to enable your family to maintain its lifestyle should anything happen to you. Yet, if you're going to help preserve your family's financial well-being after you're gone, you also need to take one additional step: Create an estate plan.

Toward that end, you'll want to start by learning a few of the estate plan basics, such as these commonly used tools:

Will -- For most people, a will is probably the most essential estate-planning document. Regardless of the size of your estate, you need a will to ensure that your assets and personal belongings will be distributed according to your wishes. If you die intestate (without a will), your belongings will be distributed to your "heirs" as defined by state laws -- and these distributions may not be at all what you had in mind.

Living trust -- A simple will may not be sufficient for your needs. Consequently, you may want to design a living trust, which provides you with more flexibility in distributing assets. For example, you could direct your living trust to disperse assets to your children or grandchildren at specific ages. Also, a living trust makes it possible for your assets to be distributed without going through the often time-consuming, and public, probate process.

Beneficiary designations -- Over time, your life may change in many ways, through marriage, remarriage, children, stepchildren and so on. That's why it's important to periodically update your beneficiary designations on your insurance policies and retirement accounts, such as your IRA and 401(k). These designations are powerful and can even supersede the instructions left in your will or living trust, so it's essential that you've got the right people listed as your beneficiaries.

Irrevocable life insurance trust -- Depending on the size of your estate, your heirs may ultimately have to pay estate taxes, though the estate tax laws have been in flux in recent years and may continue to evolve. If estate taxes are a concern, you may want to take steps to alleviate them, such as establishing an irrevocable life insurance trust, under which you'd transfer a life insurance policy out of your estate and have the trust distribute the proceeds to the beneficiaries you've chosen.

Power of attorney -- A power of attorney allows you to appoint a person (an "Attorney-in-Fact" or "Agent") to handle your affairs if you can't do so yourself.

Health care directive -- A health care directive allows you to name someone to make health care decisions on your behalf, should you become physically or mentally incapacitated.

Estate planning can be complex, so you'll need to work with your tax, legal and financial advisors to make the arrangements that are appropriate for your needs. It may take some time to develop your estate plan, but it's well worth the effort.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.