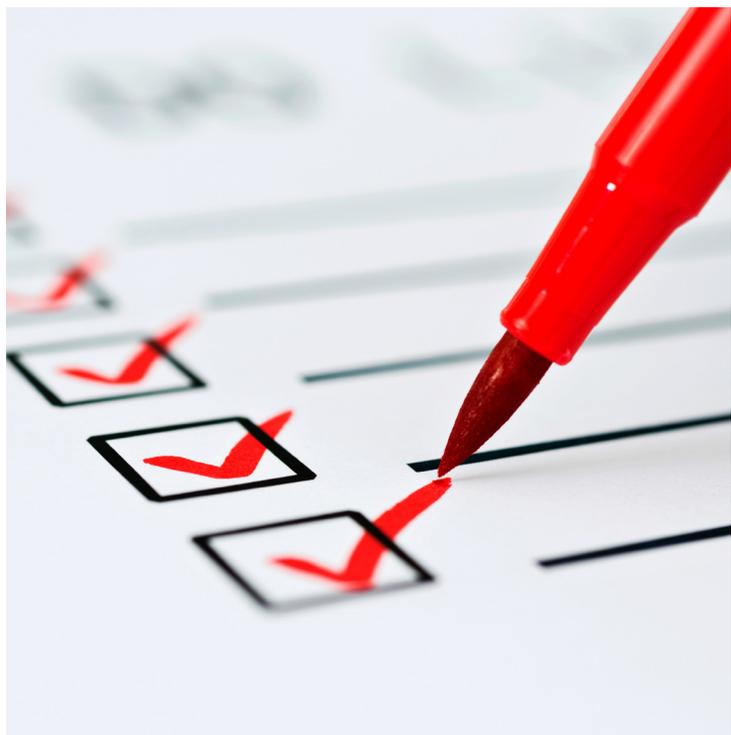


Total Cents Podcast Lesson 11

Demystify Legal Documents

Topic Overview

This lesson describes an often ignored financial concept to teach your children: legal documents, such as wills and health care proxies. Although this lesson is an uncomfortable topic to discuss, it is another vital financial literacy lesson for you to teach your kids.



Your Intro Discussion With Them

Tonight we're going to talk about something you've probably never thought about. We call them the "what if..." documents. These are the non-insurance things we put in place in case something unpleasant happens in life. Most families never talk to their kids about these documents ... but we know you are mature enough to handle this grown up conversation.

Step 1

What are legal documents?

- Defines some sort of contractual relationship or some other rights. They are legal instruments. These documents concern, authority, identity, legal status, ownership, or some other type of evidence of obligations.

Why do families need legal docs as it pertains to their personal finances?

2 memorable phrases

1. You need to pack your parachute before you jump out of the plane ... or, You want to have that life preserver on before you get knocked off the boat.
2. "What if" documents become useful and necessary, at the worst of times. When...

- Dies
- a tragic accident that they don't die from but that leaves them in a medical emergency.
- medical treatment for someone else who can't make decisions on their own.

Step 2

The Main Document - The Will

What is a Will?

- A legal document that states how a person wishes their property is distributed when they die.
- It lays out where you intend certain property and assets to go and who is in charge of making sure that happens.
- Vocabulary words include:

1. **Decedent:** the person who died
2. **Beneficiary:** anyone receiving a gift or benefiting from what's being left.
3. **Executor:** the person you appoint to make sure these things get distributed to where you wanted them.

What happens to someone's "stuff" dies without a will?

- Intestate: if you don't have a will, the State will make one for you.

What happens to minor children if parents die intestate?

- The State decides who will be the guardian/trustee
- Vocabulary words include:
 - » Guardian: who will take care of minor children if you die.
 - » Trustee: who will take care of the money for a minor child if you die.
- Be ready for their question- who are the guardians for us?

Step 3

"Those Other Documents" AKA- Ancillary Documents

What is a Health Care Proxy?

- Named person who becomes responsible for making healthcare decisions on behalf of another, when they are incapable of making these medical decisions on their own.

What is a Power of Attorney?

- gives one person the power to act for another financially.
- These are either broad or limited in their authority, based on one's comfort level and specific situation.

What is a Living Will?

- Lays out what medical treatments you would, and would not, want to use in keeping you alive if it came to that point.

Step 4

Dispel the myth- About Trust Fund Babies

What is a Trust?

- When an individual sets up a trust, they are creating a legal entity where the owner gifts property to the entity, and another person (trustee) who must look after it and use it, for the benefit of a beneficiary.
- This could be a parent who sets aside money for their 5-year-old son, Spencer, where Aunt MaryBeth (trustee) is in charge of investing the money and distributing it for Spencer's benefit based on the terms of the trust.
- The reason that people typically associate trusts with wealthy individuals is that there are many strategic uses of trusts such as tax minimization, creditor protection, and making sure that money eventually gets to the intended parties without potential legal battles from other disgruntled family members.

Conversation Wrap Up

Being a responsible adult includes taking the time to think through these uncomfortable conversations and taking actions to prepare for them should they happen. While we don't want to obsess on negative events, preparing for life's "what if's" is a vital part of everyone's financial plan.

