

Total Cents Podcast Lesson 11

Demystify Legal Documents

Topic Overview

This lesson describes an often ignored financial concept: legal documents: legal documents (i.e. wills, health care proxies, contracts, etc.). 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?

- A contractual obligation in the form of a document that can affect the legal rights of any person or relationship. 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 documents as it pertains to their personal finances?

“What if” documents become useful and necessary, at the worst of times. When...

- Death occurs.
- A tragic accident.
- Medical treatment for a loved one who does not have the ability to make decisions on their own.

Step 2

The Will

What is a Will?

- A legal document that expresses a person’s wishes as to how their property is distributed after their death.
- It details or It describes where you intend certain property and assets to go and who is in charge of making sure that happens.
- Vocabulary words include:
 - » **Decedent:** the person who has died.
 - » **Beneficiary:** anyone receiving a gift or benefiting from what’s being left.
 - » **Executor:** the person appointed to make sure these things get distributed to where the decedent intended.

What happens if someone 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.
 - » *Trustee:* who will take care of the money for a minor child.
- Be ready for their question- “ who are the guardians for us?”

Step 3

Those “Other Documents”

What is a Health Care Proxy?

- A 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?

- The ability to give 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 keep 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 young child.
- The reason that people typically associate trusts with wealthy individuals is because 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 to prepare for them should they happen. While we don’t want to obsess about negative events; preparing for life’s “what if’s” is a vital part of everyone’s financial plan.

