



## Advance Planning for Your Investments

Planning for the future of your assets is a crucial part of financial wellness. It helps ensure that your wishes are carried out, your potential future needs are addressed and your loved ones are provided for. Understanding the basics of advance planning can help you make informed decisions about your financial legacy.

Remember that planning isn't just for the wealthy—most investors can benefit from having clear instructions for the disposition of their assets. While the process might seem complex, breaking it down into manageable steps makes it more approachable.

Be sure to review your instructions regularly, especially after major life events—such as marriage, divorce and the birth of children—to ensure that they continue to reflect your wishes.

### POA FAQs

#### WHO'S WHO

- **PRINCIPAL:** the person granting the POA
- **AGENT:** the person to whom POA is granted, also called attorney-in-fact

#### TYPES OF POAs

- **DURABLE:** stays in effect throughout the principal's lifetime, even if they become incapacitated
- **SPRINGING:** "springs" into effect when a specific event occurs, such as when the principal hits a certain age or becomes mentally incapacitated
- **LIMITED:** restricts authority to specific activities and may also specify when authority will begin and end; automatically revoked upon incapacitation

### ELEMENTS OF ADVANCE PLANNING

#### > Power of Attorney

Granting power of attorney (POA) allows someone you trust to manage your personal affairs if you become unable to handle them yourself. The agent you appoint has the legal right to make decisions on your behalf.

Laws governing POA vary by state, so it's important to understand the requirements where you live and hold accounts. Most states require the POA document to be in writing, witnessed and notarized. Many states provide POA requirements and forms on the [official state website](#).

You must sign a POA when you're still mentally competent for it to be valid, though the standards for mental capacity might vary by state. You can customize the POA to grant broad authority or limit it to specific matters. You might also have the right to revoke or change the POA as long as you're mentally competent, as defined by your state. Consult an attorney to ensure that the POA aligns with your wishes and complies with your state's laws.

#### > Wills

A will is a legal document that specifies how you want your property and assets distributed after your death. It also lets you appoint a guardian for your minor children and make other decisions about your estate.

A standard will generally includes your choice of an executor to manage your estate and carry out your instructions after your death. Wills typically go through probate court, which can take time, and become part of the public record. Be aware that certain assets pass directly to named beneficiaries regardless of what your will states.

Talk with an attorney to help confirm that your will is valid and meets your state's specific requirements. Without a valid will, a court will distribute your assets according to state and federal laws.

## > Trusts

A trust is a legal arrangement where one party (the trustor/grantor) gives another party (the trustee) the right to hold and manage assets for the benefit of a third party (the beneficiary). Trusts can provide control over asset distribution, reduce estate taxes, protect assets from creditors, create financial support and protect privacy. Different types of trusts offer different benefits. Common trust types include:

- **Living (or revocable) trusts** can be changed or canceled during your lifetime. Living trusts allow you to maintain control over your assets, provide privacy and flexibility, and can help your heirs avoid probate.
- **Irrevocable trusts** can't be altered or revoked once established but have potential tax advantages, can protect assets from creditors and can help your heirs avoid probate. These trusts normally force you to give up some control over your assets and have potential gift tax consequences.
- **Testamentary trusts** are created through your will and take effect after your death to control the distribution of assets. These trusts are primarily used by people whose beneficiaries are minors, those with disabilities or those who struggle with financial management. They have potential tax benefits but must go through probate.

A tax professional can help you understand the implications of each type of trust based on your circumstances. Also consider using an estate attorney to ensure that your trust document is legally valid and meets your needs.

## CHOOSING BENEFICIARIES

Designating beneficiaries for your retirement accounts, insurance policies and other assets is an essential part of advance planning. While personal property or taxable investment accounts generally transfer through wills or trusts, [retirement accounts](#)—such as 401(k)s and individual retirement arrangements (IRAs)—and insurance policies pass directly to named beneficiaries.

- For employer-sponsored retirement plans like 401(k)s, your spouse is typically required to be named as your primary beneficiary unless they sign a waiver relinquishing this right.
- For other accounts like IRAs and life insurance, you generally have more flexibility to name multiple beneficiaries for a single account or different beneficiaries for different accounts. You also typically can name contingent beneficiaries in case your primary choices can't be located, decline the assets or predecease you.

Remember that beneficiary designations typically override instructions in your will and remain valid even through major life changes. Consulting with tax and legal professionals can help you align your beneficiary choices with your overall financial and estate planning goals.

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### FINRA INVESTOR INFORMATION

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