Estate planning is the process by which you manage and preserve your assets while you are alive, and conserve and control where they go after your death.

Estate planning can be as simple as making a will or purchasing life insurance, or it can be quite complicated—it all depends on a number of factors, including age, health, wealth, lifestyle, life stage and goals.

Here are some estate planning tools you should consider.

DURABLE POWER OF ATTORNEY
A durable power of attorney allows you to name someone to manage your property in case you become incapacitated

ADVANCED MEDICAL DIRECTIVE
An advanced medical directive includes living wills, durable power of attorney for health care and Do Not Resuscitate order.

WILL
A will is a legal document that designates how you want your money and property (your estate) to be distributed after your death. It also can contain your wishes regarding funeral or burial. And it also allows you to name a guardian for your minor children in the event you and your spouse die simultaneously.

TRUST
A trust is a written agreement that specifies who will manage the assets placed in the trust during your lifetime and in the event of your death. It allows you to transfer legal title of assets. This can be more cost-effective than a will.

TERMS YOU NEED TO KNOW
Estate
Your estate is made up of your: 1) taxable estate, which is the sum total of your financial interests, minus your debts; and 2) probate estate, which includes those assets covered in your will.

Estate Tax
Federal taxes that are owed nine months after death on the net value of the taxable estate, if your estate is worth more than a specified amount. Recent legislation will eliminate the estate tax as of 2010.

Executor
The person you appoint in your will to settle your estate—including paying bills and taxes, supervising your assets and making sure your wishes are carried out.

Trustee
A trustee is the person or group who controls the assets in a trust, signs for and approves all financial transactions, etc. Before you die, the trustee can be you.

Principal
The principal is made up of the assets of the trust. Income, on the other hand, is money derived from some of the principal assets.

Beneficiary
A person or organization designated to receive some or all of your assets upon your death. You can name as many beneficiaries as you want.

Probate
A court procedure that passes assets from a deceased person to his or her beneficiaries. Without a court order signed by a judge, beneficiaries cannot take ownership of these assets, even if they are named in a will.