

Principal: Individual who directs another to act for his/her own benefit | **Agent:** Individual appointed to fulfill specified directives of principal

| | APPOINTS OR INSTRUMENTS | | | TIMING | | |
|---|---|--|---|--|--|---|
| | Appoints an agent to manage the day-to-day affairs of the principal | Appoints an agent to manage the health care of the principal | Provides instruction to manage the health care of the principal | Provides instructions for managing and transferring principal's assets | Powers/instructions applicable during <i>life of principal</i> | Powers/instructions applicable at <i>death of principal</i> |
| General power of attorney (POA) ¹ | ✓ | | | | ✓ | |
| Durable power of attorney ¹ | ✓ | Used in place of General POA | | | ✓ | |
| Health care proxy | | ✓ | | | ✓ | |
| Advance health care directive / Living will ² | | | ✓ | | ✓ | |
| Will | | | | | Review/update periodically | ✓ |
| Revocable trust ³ | | | | ✓ | ✓ | ✓ |
| Irrevocable trust ⁴ | | | | ✓ | ✓ | ✓ |

¹ Terminates when the principal becomes incapacitated or unable to make decisions about finances and health, whereas Durable POA continues when principal becomes incapacitated. ² Principal provides written instructions in advance to ensure specific medical care in case he/she becomes incapacitated; many states combine the living will with durable power of attorney. Some states may not recognize health care directive of another state. ³ Provides instructions in the event of principal's mental disability and to avoid probate of his/her assets; principal is the owner and beneficiary of the trust; the trust may be revoked at any time during life and becomes irrevocable at death. ⁴ Principal/grantor gifts assets to trust during life to remove from his/her estate, or at death, assets are moved to the trust. Trust becomes owner of assets and any future growth is removed from grantor's taxable estate.