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Planning your estate when you've got no children or heirs

- Having no heirs or surviving spouse can make estate-planning decisions more difficult.
- Appropriately directing assets involves naming beneficiaries on financial accounts such as 401(k) plans and life insurance policies.
- Whom to appoint as a trustworthy health-care proxy or power of attorney is also tricky.

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Certified financial planner Mike Keeler has a client, a retired teacher, who saved diligently for her golden years and will leave behind a sizable estate when she passes away. Her estate-planning challenge, though, is that she has no children.

It's a situation financial advisors come across frequently: Childless clients who are unsure what should happen to assets they leave behind or whom to appoint as their proxy decision-maker.

"Sometimes there is no close family, and the person doesn't know who to leave their estate to," said Keeler, CEO of Peak Financial Solutions. "They also don't know who to name as executor of their will or who they trust to make decisions for them if they are [incapacitated while still living]. These can be tough decisions."

While specific data on estate planning among the childless is hard to come by, studies show that most people fail to put in place even the most basic part of estate planning: a will. For instance, a 2016 Rocket Lawyer study conducted by Harris Poll shows that 64 percent of Americans lack that basic document.

The problem with having no will (called dying intestate) is that your state's court system decides who gets your assets. And on top of property-related considerations are other important estate-planning components, regardless of marital or parental status.

But decisions that can be hard enough for people with family ties or close friends become harder for those without those relationships. When that's the case, advisors start by encouraging people to focus on their interests and tie them to charitable giving.

"I find out what they're passionate about," Keeler said. "When they start thinking about the possibilities and the gears start turning in their heads, it can be a fun conversation."

Keeler's client, the retired teacher, decided to establish a foundation to award scholarships to college-bound kids who attended the at-risk middle school where she was a teacher. The scholarships will come with certain stipulations, all determined by the client.

Keeler encouraged her to immediately establish her legacy so she can enjoy it while still living. The plan, Keeler said, is for the foundation to award its first scholarship this year.

"I told her if you start gifting money now, you get to see the fruits of your labor," Keeler said. "People don't have to wait until they're gone to do this."

Part of appropriately directing assets involves naming beneficiaries on financial accounts such as 401(k) plans and life insurance policies. Be aware that those accounts do not pass through the will. For instance, if you named your ex-husband as the beneficiary on your 401(k) plan and never updated that information, he will get that money even if your will names your new spouse as your only heir.

An even trickier task than asset considerations can be choosing someone to have medical power of attorney. That designation lets the chosen person make important health-care decisions if you cannot.

Married couples typically name each other as their health-care proxy. But after the death of one party to the marriage, the living spouse with no children faces the challenge of naming someone else. Same goes for childless singles who have never married.

"They might feel like they are putting someone in a really difficult position," said Justin Halverson, co-founder of Great Waters Financial. "Or they don't know who they would trust to make such an intimate decision" when it comes to medical-care choices, he said.

Another helpful tool is a living will, which states your wishes if you are on life support or suffer from a terminal condition. This helps guide your proxy's decision-making.

In addition to a health-care power of attorney, it's important to give someone durable power of attorney to act as your agent if you become unable to tend to your finances. Advisors say many clients name different people to handle each health-care and financial decision.

Additionally, naming an executor for your estate — regardless of its size — can be challenging.

"Doing something is better than doing nothing. Don't let the fact that you don't know the perfect way ... make you do nothing at all."-Justin Halverson, co-founder of Great Waters Financial

Sometimes called a personal representative, the executor is the person legally charged with handling your estate. Duties can range from filing a will with the court to selling your house, paying your debts and distributing assets as directed.

That individual will be asked to take on the responsibility no matter what else is going on in his or her life. This should be someone you not only trust, but a person with the capacity to handle the responsibility.

Halverson said that if you struggle with naming someone, it's worth talking to your bank's trust division to explore naming the bank as executor or setting up a trust. Be aware that while family members or friends typically serve as executor for free, banks will charge a fee.

The good news is that once you make these decisions, you don't have to think about your estate plan too often. Advisors say you should check it every three to five years unless you face a major life change.

"The important thing is to document what you want to happen and review it periodically," said CFP Kevin Meehan, regional president of Wealth Enhancement Group. "Relationships with people and charities can change."

For instance, one of Meehan's clients initially planned to leave a good chunk of her assets to nieces and nephews. But, he said, she recently changed her will.

"That relationship has changed over time, and as [the nieces and nephews] are less interested in her, she's become less interested in giving her assets to them," Meehan said.

While estate planning might be about as appealing as a root canal, advisors say that putting a plan in place gives you control that you otherwise won't have.

"Doing something is better than doing nothing," said Halverson of Great Waters Financial. "Don't let the fact that you don't know the perfect way to do [an estate plan] make you do nothing at all."

— By Sarah O'Brien, special to CNBC.com