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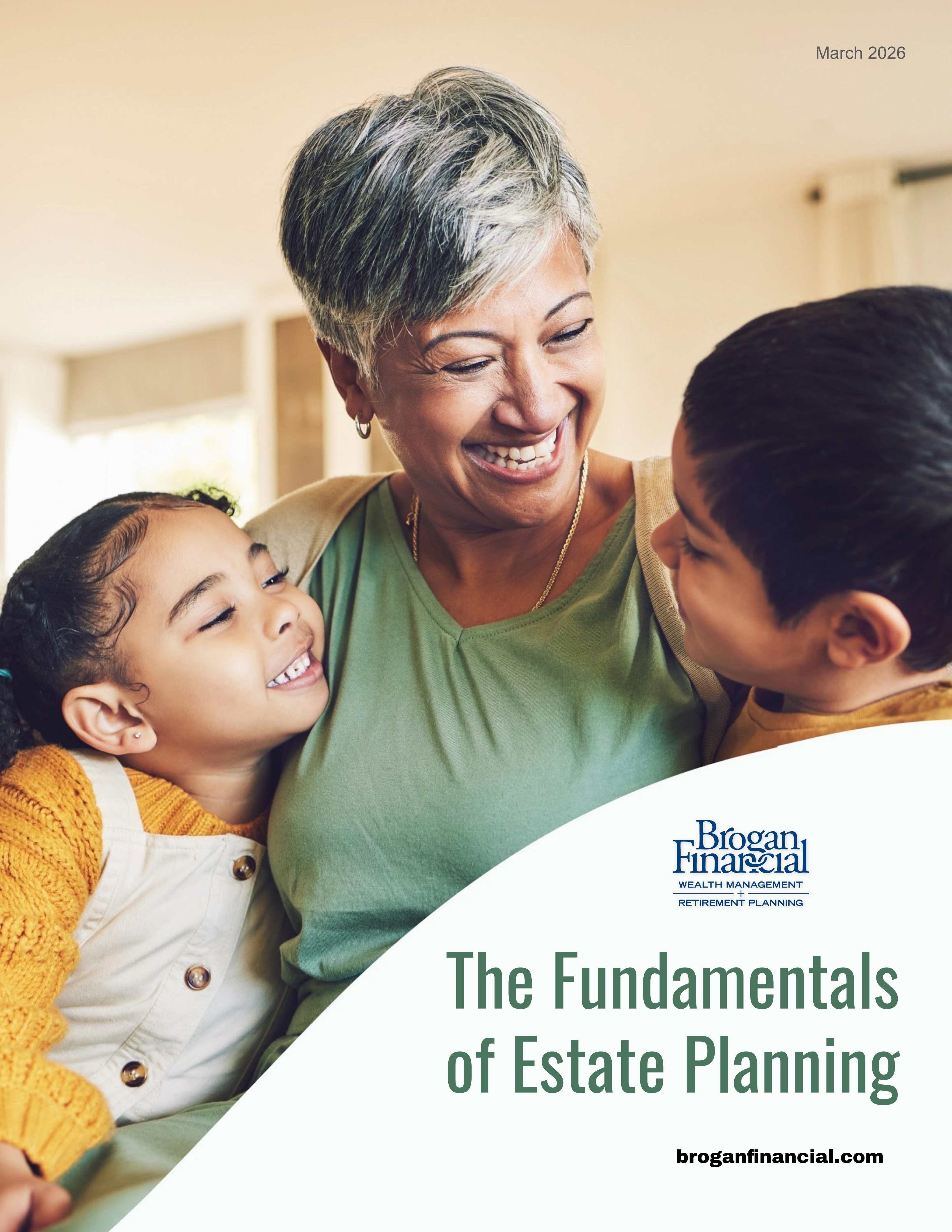

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WEALTH MANAGEMENT + RETIREMENT PLANNING

The Fundamentals of Estate Planning

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Fundamentals of Estate Planning

IT CAN BE UNCOMFORTABLE TO THINK ABOUT THE END OF LIFE, YET ESTATE PLANNING IS CRITICAL TO ENSURING YOUR WISHES ARE MET AFTER YOU PASS.

Estate planning can be an emotional process. After all, it's difficult to think about things like who will raise your children, or which loved one will best manage your financial assets. Estate planning is necessary, however, because without a will, your estate may end up in court. This means it could be divvied up based on a judge's ruling, rather than on your personal wishes.

Additionally, without specific terms set in place, you may not get the medical care you would prefer. For these reasons and others, it is better to face the discomfort of considering your own mortality so that you can ensure everything is up to date and in order. With your estate checked off your list, you can rest assured that, in an unthinkable situation, you and your loved ones will be covered.

So, you've decided to get your estate plan in order, but where should you begin?

Here are the basic documents to pursue first.

A Will

Your will designates who will inherit or control your assets when you die. It can be an especially important document if you have dependent children, as it allows you to name a guardian and to detail preferences for their future care. You may also name fiduciaries to act on your behalf. Your will is also the place where you can name a trustee to manage any trusts you may have, and an executor to oversee your wishes for distributing assets like property, art, investments, or charitable gifts. The process of writing your will also offers an opportunity to look over your assets and how much you need to live on. If you find that you have excess capital, consider whether making charitable gifts now may provide tax benefits to your estate. If you own a business, your will should also include details like a business succession plan. If you plan to leave money to heirs, such as children or grandchildren, your will allows you to detail those plans and wishes.

Power of Attorney

If a situation should arise in which you become incapacitated and unable to make financial or health care decisions for yourself, you need to designate someone to act on your behalf. Many people choose their spouse, but others choose to designate an adult child or other close family member. Remember that this person will hold tremendous power over you and your assets, so be sure to choose wisely – and then put your wishes in writing.

Revocable Trust

Some people choose to use a revocable trust in the event they become unable to manage their affairs. This still requires designating a durable power of attorney, as the successor trustee or co-trustee would only have the authority to manage the money in the trust. An individual with durable power of attorney designation would have access to assets outside the trust. Your appointed trustee can act on your behalf and manage the trust. The benefit of this setup is that creating and funding the trust avoids probate, which is the lengthy process by which your executors submit your will to a court to transfer assets to your beneficiaries. See the included case study for more information.

Establishing a Revocable Trust for Effective Estate Planning: A Case Study

In this case study, we will follow the journey of John and Margaret, a married couple looking to create a comprehensive estate plan to protect their assets and ensure a smooth transfer of wealth to their beneficiaries. We guided them through the process of setting up a revocable trust as a vital component of their estate plan. Let's explore their story and uncover the benefits of this strategic decision.

Background:

John and Margaret had accumulated substantial assets over the years, including a family home, investment properties, retirement accounts, and valuable investments. They recognized the importance of organizing their estate and wanted to avoid the complexities and potential probate challenges that could arise upon their passing.

Financial Situation:

John and Margaret were financially secure, with significant assets and a desire to protect their wealth for future generations. They had a clear vision of their legacy and wanted to minimize estate taxes and streamline the transfer of their assets to their children and grandchildren.

Goals:

The primary goal was to establish an estate plan that would protect their assets, maintain privacy, and create a seamless transfer of wealth to their beneficiaries. John and Margaret also aimed to reduce potential estate taxes and minimize the burden of probate on their loved ones.

Strategy:

After a detailed conversation, we suggested that John and Margaret establish a revocable living trust as a core element of their estate plan. We then worked with an estate planning attorney to draft the necessary legal documents, and they funded the trust by transferring their assets into it.

Probate Avoidance By creating a revocable trust, John and Margaret effectively bypassed the probate process. Their assets could transfer smoothly to their beneficiaries, saving time, costs, and potential disputes associated with probate proceedings.

Privacy Protection Unlike a will, which becomes a matter of public record during probate, a revocable trust provided John and Margaret with privacy. Their personal and financial information remained confidential, shielding their estate and beneficiaries from unnecessary scrutiny.

Flexibility and Control As the creators of the trust, John and Margaret retained full control over their assets during their lifetime. They could amend, modify, or revoke the trust as needed, adapting it to changing circumstances or their evolving wishes.

Incapacity Planning The revocable trust included provisions for incapacity planning, creating a smooth transition of control if John or Margaret became unable to manage their affairs. The appointed successor trustee would step in to manage the trust assets without the need for court intervention.

Estate Tax Planning The revocable trust allowed John and Margaret to incorporate estate tax planning strategies. By utilizing certain provisions, they were able to potentially reduce their estate tax liability, preserving more of their wealth for their loved ones.

Results and Outcomes:

The case study of John and Margaret exemplifies the importance of a revocable trust in creating a comprehensive estate plan that protects assets, ensures a seamless transfer of wealth, and provides peace of mind for future generations.

Irrevocable Life Insurance Trust

An irrevocable life insurance trust allows your insurance proceeds to be available to your spouse and children. It also gives you more control over your insurance policies and the money that is paid out from them. You cannot serve as the trustee of the trust, and you must relinquish any right to modify or dissolve it. The benefit of this asset is that it will not be included in your taxable estate.

Health Care Proxy or Health Care Power of Attorney

A health care proxy (also called a health care power of attorney) allows you to name someone to make medical decisions on your behalf if you are unable to communicate. This differs from a living will, which outlines your preferences for specific life-saving or life-sustaining treatments. A living will provides guidance, while a health care proxy gives a trusted individual the authority to act in real time as situations arise. Without a health care proxy in place, medical decisions may fall to doctors or family members who may not fully understand your wishes, especially if disagreements exist.

The Best Time to Start Estate Planning is Now

Estate planning is appropriate for adults of any age, as it provides you with peace of mind. It also allows you to ensure your wishes will be fulfilled when you are no longer able to voice them, and that your family will be provided for according to your preferences. It is wise to work with qualified professionals, like financial advisors and estate planning attorneys, to help you navigate through this process and ensure there are no loose ends and that everything is recorded properly in writing.

Would you like to discuss your retirement plan?

Schedule your Discovery Call by visiting our website
broganfinancial.com or call us at (865) 862-6800

(865) 862-6800 | broganfinancial.com | 2160 Lakeside Centre Way Suite 102, Knoxville, TN 37922