

CENTER  
FOR ESTATE  
AND GIFT  
PLANNING

# GUIDE TO PLANNING YOUR ESTATE

# WHY THIS PLANNING GUIDE?



*In counseling with Christians concerning the design of their estates, three problems continually arise:*

## Process

People are intimidated by taking on the scope of estate design. The technical language involved and the inability of many professionals to communicate in layman's terms makes individuals perceive the process as too complex.

## Priorities

Many individuals do not have the priorities of the planning process in proper perspective. To many, taxes and probate are the greatest concerns, sometimes to the detriment of interpersonal family relationships.

Due to a lack of awareness, many people have not considered the estate plan as a part of a total life of stewardship. They have not been given guidelines about how to find God's plan of stewardship for their estates.

## Procrastination

It may be because of the confusing nature of the first two problems, or it may be human nature. But many individuals just never get around to planning their estates. It may be the thought of

death, or the lack of urgency, but it never seems to happen.

These problems bothered us, so we set out to find materials to help you better understand the estate design process. We want to help you gather the information necessary to establish a proper estate plan, and to motivate you to "do it."

There are materials available. But little is written for the nonprofessional, to help you work through this complex process of preparing to meet with your attorney.

We have created this Planning Guide especially for you. And we trust you will find that it provides a practical, understandable and workable process. The results should be an estate design with which you are comfortable, a plan that:

- ❖ Expresses God's plan of stewardship for your estate,
- ❖ Has been designed to transfer the estate that God has entrusted to you to your individual and charitable beneficiaries, to help them become better, and
- ❖ Will transfer your estate at the lowest possible cost and with the fewest delays.

*An estate plan is part of a total life of stewardship.*

# WHAT IS ESTATE PLANNING?

Estate planning has been defined from many perspectives. The most common are:

The creation, conservation and utilization of estate resources, to secure the maximum benefit now, during disability, and at retirement.

The best way to transfer the estate to family members, charitable organizations, and others during life and at death, with minimum shrinkage caused by taxes and probate.

But for the Christian, there is another dimension. What is God's plan of stewardship for my estate? The recognition of God as owner of all (including our estates) places us in responsible positions as stewards.

As stewards, it is important that we use our estate assets to their fullest potential during our lifetimes, for our personal, family, business and charitable interests.

At death, we must arrange for the transfer of our assets to individuals or charitable interests who will continue to use them to reflect our Christian lifestyles. We must also make the transfer in the most efficient and effective manner.

## The Estate Design Process

As a good steward, it is important to carefully plan your estate. May we offer the following steps to help you begin your planning?

### Step 1:

Set the priorities of your estate plan.

### Step 2:

Become familiar with the estate planning tools available.

### Step 3:

Gather all the necessary and pertinent data you will use in your estate design.

### Step 4:

Seek competent counsel for technical assistance and drafting of legal instruments.



## You do not have to become an expert in estate planning.

Estate Planning is a very complex subject. However, your estate is a sacred trust. It has been accumulated as a result of your labors and God's blessings. As a part of your total life of stewardship, it is important that you spend the necessary time to do a thorough job in planning.

### STEP 1: Setting the Priorities of your Estate Design

The first step in a Christian estate plan is to create a strategy. You want to place the overall process in perspective, and set the goals and objectives you wish to accomplish.

Without a strategy to keep you on track, you may lose sight of your ultimate goals and objectives as you work through the details.

Therefore, consider the **first priority** of your estate plan to be:

#### *Finding God's Plan of Stewardship for Your Estate*

Estate planning is a spiritual act of stewardship. Therefore, it is important to determine God's plan of stewardship for your estate. How can you find this? Once you have found it, how can you estab-

lish a philosophy or theology to make certain that your objectives and the process of your estate design are on target?

This is probably the most important aspect of your estate design, and there are no universal answers. As we move further, we will help you develop your own plan for giving.

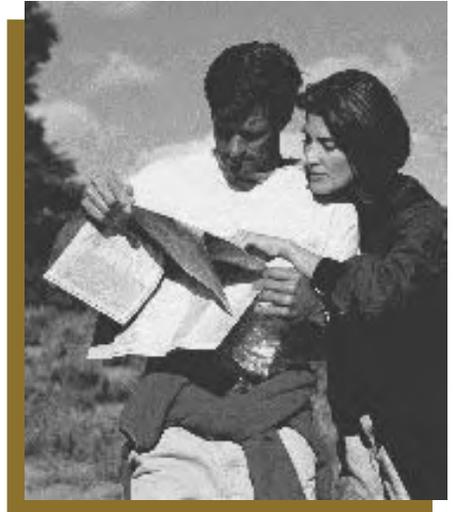
The second priority of the estate design process is to understand that:

#### *People are More Important than Dollars*

How sad it is that property distributions must be made so soon after the death of a family member. It is a time of emotional stress, due to the loss of the loved one. Decisions must be made which could easily be made by that loved one. But without that individual, circumstances often result in individuals acting upon emotions, saying and doing things that can hurt others.

While we are living, we need to do everything possible to help ease the tensions.

- ❖ Thorough planning for the distribution of household goods and personal effects
- ❖ Careful consideration of who is to be the personal representative of the estate
- ❖ Proper planning of guardianship and trusts for minor children, so that distribution will not be made at too young an age



These and many other aspects of your estate design will affect the lives of people.

Keep this as a second priority, constantly thinking in terms of how your decisions will affect the individuals and organizations receiving your property.

The third priority of estate planning is:

#### *Passing Property to Beneficiaries with Minimum Shrinkage and Delay*

You understand God's plan of stewardship for your estate. You also are giving consideration to the effect your plan will have upon people. Now, as a good steward you need to do everything possible to reduce costs and delays. You want to conserve the maximum amount of the property that God has entrusted to you for your beneficiaries.

## STEP 2: Become Familiar with the Estate Planning tools available

You don't have to become an expert. But the more basic knowledge you have, the better able you will be to understand the estate plan that your legal counsel will recommend and prepare for you.

In this Planning Guide, we have included a general description of many of the estate planning tools available for you to use in accomplishing your goals and objectives. A complete study of these tools is beyond the scope of this Guide. However, we trust that the information we have included will give you the general knowledge you need.



## STEP 3: Gather the necessary data for your Estate Design process.

For your legal and tax counsel to design an estate plan that will accomplish your objectives and goals, you must provide all of the pertinent information concerning your estate.

In gathering the data, it is important to be as thorough as possible. With this Planning Guide, we have included an outline for gathering this information. We call it the Four P's of Estate Planning; the people, property, plans and planners.

Remember, an estate plan will only be as valid as the information provided to those who design and draft it.

When this data is gathered, it is time to complete step four of the estate planning process:

## STEP 4: Seek competent counsel for drafting legal instruments

When you:

- ❖ Understand God's plan of stewardship for your estate,
- ❖ Have checked the process to make certain that everything you are doing helps people and organizations and fits within the goals and objectives that you have outlined, and
- ❖ Have gathered all the necessary data,

*It is now time to seek professional counsel to help you establish that plan.*

At the close of this Planning Guide, we will share with you how you may receive assistance in exploring the options available to you in your estate design process. We trust this will be of interest and value, and that you will take advantage of these services.

Whether or not you use these services, it is important that you get started.

If you do not have an estate plan, you need one. And if you have an estate plan that is not up-to-date, it needs to be reviewed. If it is important enough to do, then it's worth doing right, and it needs to be done now.

It would be sad for you to spend a lifetime attempting to be a steward over that which God has entrusted to you, to face God and find that your final act of stewardship had not been completed.

Estate planning is part of a total life of stewardship. As a good steward, do it now. Then you can look forward to hearing our Master say "Well done, thou good and faithful servant."

# FINDING GOD'S PLAN OF STEWARDSHIP FOR YOUR ESTATE

As you begin to plan or review, it is important that you understand God's plan of stewardship for your estate.

## What is stewardship?

Larry and Linda grew up in a church which taught that stewardship was giving 10%. They understood this basic concept of stewardship. And they were doing just fine with their concept until they heard a sermon that said that stewardship was 100%. As young Christians, they were confused.

### Is good stewardship 10% or is it 100%?

One year they earned \$50,000. They understood that a gift of 10%, or \$5,000 (which we call a tithe) is stewardship. And they gave an additional \$500.00 to other charitable interests that year. That was also stewardship.

Larry and Linda also read in the Scriptures that stewardship is moderation of lifestyle. After their tithe, gifts, and family budget, they had \$2,500 remaining. In terms of 100% stewardship, they knew that they must be stewards over that, too.

So they took the \$2,500 to their local bank. The banker assured them that a certificate of deposit, paying the highest interest allowed by law and guaranteed by an agency of the federal government, would be safe, secure, and liquid. An investment in a certifi-

cate of deposit would be good stewardship.

Just as they were ready to make their deposit in the bank, their real estate agent said, "You don't understand stewardship. You can't put that money in the bank and be a total steward. To be a total steward, you have to consider things like leverage. Invest your \$2,500 in an apartment house. The growth will be on the full value, though you have invested only \$2,500. And as a bonus, you can deduct the interest and all repairs, creating a tax advantage, because the apartment house can be depreciated."

So Larry and Linda spent the rest of the day driving up and down the street, trying to find an apartment house to purchase.

They passed a brokerage firm. To practice 100% stewardship, they checked it out, too. Their broker told them, "If you put \$2,500 in an apartment house and you need money next month, the real estate commission will wipe you out. You might have to sell at a loss, or you might not be able to sell at all. What you really need to do is invest in a mutual fund. It will grow in value, and you can market it any time you wish."

Do you see where we're leading you? What is 100% stewardship? Are we going to be judged on whether or not we have used the greatest safety in our investment, have taken advantage of tax planning available to us, or

have diversified our investments and have seen them grow? Are we going to be condemned because of an unsuccessful investment?



We find the answer in the Scriptures. With one exception, Scriptural reference to 10% giving (a tithe), is to first fruits or income.

But there is another form of money, capital. As we study the Scriptures concerning capital, we find that God is the owner of 100%. It is recognition of His ownership of all capital that is the basis for our stewardship.

*Stewardship does not include ownership. As stewards, we are only caretakers.*

Remember the \$2,500 Larry and Linda had to invest? Regardless of whether they invest it in an apartment house, the bank, stocks, bonds, mutual funds, or life insurance, it will accumulate and become part of their estate. It is capital, which God owns.

# WHAT CONSTITUTES A GIVING LIFESTYLE?

## Lifestyle Giving

Our lifestyle is made up of the way we budget three areas of our lives... our time, our talents, our treasures.

We spend part of our time in business, part with family, part we spend for ourselves in enjoyment of life and working to become better persons. And part of our time we give away.

The same is true of our talents. Part of them we use in business, part for family, part we give away, and part we use for ourselves. We spend our finances in the same ways.

The differences between our lifestyles are the differences in our budgeting of these three areas of life. And the difference between our lifestyles and the lifestyle of the person on the street is found in the value system we place on these budgets. Our value system is based on a redemptive lifestyle.

We touch our families, friends, business associates, and even the persons on the street with whom we have shared our lifestyles. As they see within us something they desire, they come closer to a personal redemption, because they have been touched by our lifestyles.

Even after death, our Christian lifestyles will live on in the lives of those we have touched, who have adopted the Christian lifestyle.

As it pertains to estate planning, having a giving lifestyle says that a Christian estate plan is not one that gives 10% to a charitable organization and the remainder to whomever we wish. Tithing is a concept of income, not a concept of capital stewardship. That puts your estate and gift design in an entirely new light.

*The Christian estate plan is one that recognizes God as owner of all property, and distributes that property to those who will continue to use it to propagate the Christian lifestyle.*



# PEOPLE ARE MORE IMPORTANT THAN DOLLARS

The estate planning process involves the transfer of property. In our attempts to avoid probate and save taxes, we often lose sight of people.

You have accumulated your estate by your labors and God's blessings. And whether your estate has a positive or negative impact on the people and organizations with whom you are involved is very important.

A parable in the Scriptures tells about a young man who asked his father for his inheritance. The son did not recognize his stewardship responsibility, and the impact of money upon his life resulted in the waste of his inheritance in riotous living. He found himself in a deplorable condition.

Repentant, he returned to his father who greeted him with open arms. He placed a ring on his finger and killed the fatted calf for the celebration of his son's return. But family relationships were strained. His brother did not welcome him, though the father assured the brother that his inheritance was still intact.

This parable provides an insight into the family problems of estate planning. It illustrates the problem of distributing too much money to children before they have learned to be responsible in managing property. It also illustrates the problems in interpersonal relationships that may arise.

We must keep our perspective; people are more important

than dollars.

How do you keep this from happening in your family?

## Some thoughts for consideration:

### Personal Representative

Consider naming an individual who does not have a vested financial interest in your property, or a bank trust department, to serve as personal representative of your estate or trustee of any trust which you establish.

Many family problems arise when a family member, placed in this position of responsibility, must make decisions that may not be acceptable to or popular with other family members.

- ❖ The division of household goods and personal effects
- ❖ The sale of the family home
- ❖ The continuation of the family business
- ❖ The interpretation of a will seemingly in conflict with what mother or father had shared with another family member
- ❖ The attempted enforcement of lifetime promises made to family members, which mother and father didn't get around to putting into their estate plan

These are areas that can better be handled by an individual

who does not have a vested interest in the property.

### Conservatorship

Interpersonal problems in family relationships may also occur when a child must go to court and be declared the conservator of a parent, in a time of incompetency prior to death.



There are costs and restrictions of the court. Decisions may need to be made concerning the choice of nursing care, property management, and "preserving the inheritance" for the other children.

These are decisions that may better be made by a bank or trust company, or an individual who does not have a vested interest in the property, holding a durable power of attorney.

## Letter of Instructions

You could divide \$100,000 in cash equally to any number of people. But how do you divide equally among three children, the antique table that was given to you as a wedding present by your favorite aunt?

It is important that you clearly express your desires for each unique item of personal property. These desires may change. Therefore, it's impractical to do this in the will. A letter of instructions written in your own handwriting and outlining your desires for personal property distribution may leave the least room for interpersonal conflicts.

## Guardianship

The guardianship of minor children is an important people-planning decision. Should premature death occur, the lifestyles of your children will be strongly influenced by the guardians you nominate. We will talk more about this later.

## Trust

In most states, the legal age for inheritance is 18 years. How much money can a child receive at that age, without affecting lifestyle? Eighteen is the age of a college freshman, the time of the first romance or the excitement of sports cars. With an inheritance, the child might leave school to get

married, to buy a fast car, or whatever else seems important at that age.

It might be well to “postpone financial death” by establishing a trust which maintains the property until the youngest child reaches an age of greater maturity, for example, 25. If there are mental or physical disabilities, the trust can continue for the benefit of the disabled child.

If there are no disabilities, charitable distributions can be made at this time. The remainder of the estate can be distributed to family members in a series of payments, for example, one-third at age 25, one-half the remainder at age 28, and the remainder at age 30.

## Trustee

It's often important that the trustee be someone other than the guardian, because money takes on

a different complexion at the death of a parent. For example, to a son, it is our money and we have the privilege of using it for his benefit, as we deem best. But at our deaths, to him it becomes his money, though it is in trust. If a guardian, serving as trustee, restricts the use of that money for his benefit, it leaves an opening for conflict. A bank or trust company may be able to better serve in this position.

## Lifestyle

What about the spendthrift child, who has been unable to manage the money that he or she has earned? What impact will money have upon his or her incentive?

How do you give property to people so that it will help them to become better individuals? And the question is not only “how,” but also “how much.”



## We do know what you can give your family:

- ❖ A strong spiritual heritage, based in the Scriptures and confirmed by a Christian lifestyle
- ❖ A wide circle of friends and experiences
- ❖ An honorable and just name
- ❖ A good education
- ❖ Opportunity for success
- ❖ Protection

However, the only true protection comes from understanding that God supplies all of our needs “according to His glorious riches in Christ Jesus,” when we seek first the kingdom of heaven, and are helping to build His kingdom.

You must decide whether or not you can give anything more than this, or if additional gifts will carry burdens or responsibilities that stifle initiative.

In the Old Testament, we read that a wise man leaves an inheritance to his children’s children. But, it does not tell what kind of an inheritance we are to leave. Peter, in the New Testament, talks about an inheritance. . . one that is undefiled, that fadeth not away, reserved for you in heaven.

Possibly the greatest inheritance you can leave your children’s children is:

- ❖ A strong church in which to worship,
- ❖ A Christian educational system, teaching a child not only how to earn a living but how to live a life, and
- ❖ A mission field on which to serve.

*The Scriptures clearly say that given sufficient time, moth and rust will creep in and destroy any other inheritance. But this is an inheritance that fadeth not away.*



# TOOLS AVAILABLE FOR PERSONAL ESTATE PLANNING

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*There are many tools available to you for the planning of your estate. We want to share with you a brief outline of some of those that you can use to accomplish your goals and objectives.*

## The Will

Basic to every estate plan is a will. It is a legal document drafted during your lifetime, while you are competent, which can accomplish many things.

- ❖ It provides opportunity for you to give a final testimony of your Christian faith.
- ❖ It revokes all previous wills that you have made.
- ❖ It authorizes payment of all debts and expenses related to your final illness.
- ❖ It authorizes the payment of taxes by the estate.
- ❖ It disposes of your personal property according to your desires, either through direct instructions in the will, or by reference to a letter of instructions.
- ❖ It makes in-kind or fixed-dollar distributions to family members or charitable organizations.
- ❖ It distributes the remainder of your estate to your individual and charitable beneficiaries.
- ❖ It names a personal representative who is responsible for entering the will into probate and making distribution according to your desires expressed in your will.

- ❖ It can nominate the person you wish to serve as guardian of minor children and other persons for whom you have custodial responsibility.
- ❖ It empowers the personal representative to carry out the terms of your will, especially relating to the ability to sell, dispose of, and liquidate property and to continue the operation of business interests.
- ❖ It establishes trusts for the benefit of minor children or other individuals for whom you have income responsibilities.
- ❖ It names the trustee of any trusts established and empowers that person to carry out the terms of the trusts for their duration.
- ❖ It can be used to waive bond.

Each state has strict laws regulating the execution and validity of the will. It is important that you retain competent legal counsel, familiar with the laws of your state of residence, to draft your will.

## Joint Ownership of Property

For smaller estates, joint ownership of property may be an excellent estate planning tool. It avoids probate and provides an orderly transfer of property between two individuals.

However, care must be taken not to place too much property in joint ownership, eliminating the use of tax saving opportunities available with other estate planning tools.

Except for small estates, the use of a trust is usually more desirable.

## A Trust

A trust can be used to:

- ❖ Avoid estate taxes,
- ❖ Provide management for property in case of disability,
- ❖ Protect minor children from premature distribution of property,
- ❖ Avoid ancillary administration of the estate when you own real property in more than one state,
- ❖ Distinguish separate property from community property when you move from one state to another,

...and for many other purposes, including income tax planning.

A trust can be confidential, can be used to avoid probate, and can provide coordination of your entire estate planning process. It is easy to establish and easy to change.

When a trust is used as a key instrument of your estate plan, it is typically combined with a simple will that transfers all remaining property to the trust at the time of death.

The trust should also be combined with a durable power of attorney. This allows the individual holding the power to place property into the trust should you become incompetent.

*In other words, a trust can do just about anything that you design it to do.*

## Durable Power of Attorney

The realities of life dictate that we must give consideration to who will be in a position to manage property in case of mental or physical disability prior to death. Relying on family members or friends to act under court-appointed conservatorship is usually unwise. It may affect interpersonal relationships. And unnecessary costs and restrictions are often imposed.

The alternative is to grant the power to manage your property in case of disability to an individual or a bank trust department. This can be arranged through a power of attorney designed to be in effect during incompetency.

## Durable Power of Attorney for Healthcare

A separate power of attorney can be granted to an individual to make decisions relating to health care during disability. This power should be granted to an individual whom you trust to hold your personal care and well-being as a priority.

A durable power of attorney for health care does not give authority to the named individual to declare your inability to act for yourself. However, it does grant specific authority to that individual to consent to or refuse treatment for you, if you are physically and mentally unable to make that decision.

## Directive to Physicians

You should also consider a directive to physicians. This is the statement by you during a time of good physical and mental health that you do or do not wish to be kept alive by heroic means, if there is no hope for survival.

## Retained Life Estate

You can transfer real estate to another individual, retaining a life estate. The life estate gives you full use of the property during your life. This includes the right to live in the property, or rent and receive the proceeds of the rental. At termination, the property is available to your beneficiaries.

The life estate agreement can either be revocable (changeable) or irrevocable (not changeable). If the agreement is irrevocable, the property cannot be sold without consent of the holder of the remainder interest. Also, the division of the proceeds will be based upon the value of the remainder interest at the time of sale.

## Payable on Death Accounts, Totten Trusts

These are vehicles peculiar to the financial industry. You retain full control over the property during your lifetime, and designate a beneficiary of the account at the time of your death. The beneficiary has no control over or access to the property during your life.

These vehicles do not provide management of property in case of mental or physical disability. They are only probate avoidance devices.

## Life Insurance Contract

The life insurance contract has many uses in the estate planning process.

### Liquidity

Even when the best estate planning tools are used, there are liquidity needs to:

- ❖ Pay final expenses,
- ❖ Pay death taxes, or
- ❖ Provide a distribution to one family member so assets can be distributed to a family member involved in a business or farm.

Life insurance may be the only way to guarantee that this money will be available, in the right amount, at the time needed.

### Protection for Dependents

Life insurance is effectively used for the protection of dependents when there has not been sufficient time to accumulate assets. A life insurance policy designed to provide cash when needed most, may be the only way a young family can guarantee sufficient assets for the surviving spouse and children.

# TOOLS AVAILABLE FOR CHARITABLE ESTATE PLANNING

*Your charitable gift will be made because of your concern for your charitable beneficiaries, and because you believe it is God's plan of stewardship for your estate to share part of that which is entrusted to you.*

When you have made this decision, the tax advantages of a charitable transfer and the integration of these transfers into your total estate plan can be of great advantage to the overall plan. Several tools are available.

## The Charitable Gift Annuity

You can transfer a sum of money, during your lifetime or through your estate plan at death, to a charity, requiring that they pay you, your spouse, or another beneficiary an income for life.

A portion of the income will be tax-free, some may be treated as capital gains (when appreciated property is transferred), and the remainder will be taxed as ordinary income.

If you make a lifetime transfer, you receive an income tax deduction at the time of the transfer, though you maintain income from the annuity for life. In addition, a portion of the capital gains tax on appreciated property can be avoided when lifetime transfers are made.

The charitable gift annuity can be designed to avoid probate. It also achieves federal gift and estate tax savings.

## Charitable Remainder Trust

Charitable remainder trusts can be established during your lifetime or through your estate plan at death. They can be used to achieve income, estate, and gift tax advantages.

When you make a lifetime transfer, you receive an income tax charitable deduction. You also avoid capital gains tax on appreciated property. And the property is distributed outside the probate process.

## Charitable Life Estate Agreement

Previously in this section, we discussed the life estate agreement. When the transferred property is a personal residence or farm and the remainderman is a charity, definite income, estate and gift tax advantages are achieved. And the transferred property is not subject to probate.



# TOOLS AVAILABLE FOR BUSINESS ESTATE PLANNING

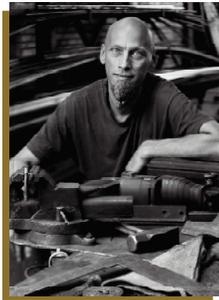
There are additional estate planning tools available to the owner of a closely held business.

Many advantages of these tools are related to the income tax structure of the business. Some that may be beneficial in estate planning may have income tax disadvantages. Their use may also be contingent upon the relationship of the business estate to the personal estate.

## Incorporation

Many people own and operate small businesses, and family members are often involved. The incorporation of the business, combined with a program to make annual gifts of closely held corporation stock, may have excellent estate planning results. These include the tax-free transfer of future appreciation to family members, while maintaining income and voting control.

This is a very complex area of planning. You should work with your tax and legal counsel to determine whether or not incorporation of your business is advisable. Incorporation may have drawbacks from income tax, workmen's compensation and unemployment insurance standpoints.



## Partnership Agreements

Similar benefits can be achieved by forming a partnership with family members. This can allow family members to participate in the appreciation of the business. Like incorporation, this is a very complex area of planning. Again, you should rely entirely upon your legal and tax counsel.

## Business Purchase Agreements

In business planning, it may be wise to consider entering into an agreement with a business partner to buy your share of the business upon your death. In exchange, you would agree to purchase his or her share of the business, should the partner predecease you. The partner maintains control of the business, and the surviving beneficiaries of the deceased partner have a ready market for the business interest.

It is usually wise to fund a business purchase agreement with life insurance, to make certain that there is sufficient cash when needed most.

The business purchase agreement can also be used to peg the value of the business interest in the estate, for federal estate tax purposes.

## Special Use Valuation of Real Property

The law allows a special use valuation method for real property devoted to farm or other closely held business use. This valuation method places a lower value, and thus a lower estate tax on such property.

There are rules that govern qualification for this valuation. Qualification is based upon the relationship of the property to the total estate value, management of the property before death, length of ownership, who receives the property, and restrictions on the sale of the property after death. However, when these qualifications are met, a substantial reduction in estate taxes can be achieved.

## Redemption of Corporate Stock at Death

The Internal Revenue Code includes provisions for a corporation's redemption of stock from the estate. That stock is not taxable as a dividend, to the extent that distribution does not exceed the amount of the federal and state death taxes, interest on those taxes, and deductible funeral and administration expenses of the estate.

Again, restrictions must be noted. But in many business estates, this is an important estate planning tool.

# TAXATION OF THE ESTATE

## Federal Gift Taxes

The federal government imposes a tax on irrevocable transfers made during lifetime. There are certain exceptions to this rule.

- ❖ An individual has an unlimited marital deduction for gifts to a spouse.
- ❖ There is an unlimited deduction for gifts to charitable beneficiaries.
- ❖ You can give \$15,000 to as many different individuals as you wish, and you can give it each year. And if you are married, your spouse can consent to the gift, and increase it to \$30,000. (This annual gift tax exemption is indexed for inflation.)

It should be noted that there are no restrictions to relationship of beneficiaries. The only restriction is that it must be a gift of current interest, and not of future interest.

Everything else is taxable. This does not necessarily mean there is a tax payable. Federal gift tax law allows a credit which offsets the taxes on the first \$11.2 million of gifts made to personal beneficiaries. Each spouse has this credit available.

However, just because you *can* give property to individuals tax-free does not mean that you should. You should never give away anything that you may need in the future.

**The four D's of life explain why:**

**Death:** You make a transfer of property to your children with the assumption that they will care for you in your old age. Should their deaths occur prior to yours, the property that you have given to them may be distributed to their beneficiaries, who may not assume responsibility for your care.

**Divorce:** This is not a pleasant subject, but it is important that we be realistic. Many divorce settlements are financially devastating. If you transfer property to your children with the understanding that they will care for you for life, and their marriages end in divorce, they may not have sufficient assets to provide the care that they promised.

**Financial Disaster:** You have transferred property to your children, and they experience reverses in business or personal financial affairs. They may become bankrupt or financially unable to fulfill their obligation.

**Desertion:** It has been known to happen. Property is transferred to family members, but they do not fulfill their responsibility and use the property for their own enjoyment, while mother and father are in need.

*Make lifetime gifts only of property that there is no possibility that you will need in the future.*



## Federal Estate Taxes

Federal law imposes a tax upon all property that you own at the time of your death. However, there are two items specifically exempt from federal estate taxes.

- ❖ Any transfer made in a qualifying manner to a surviving spouse, no matter the amount, is exempt from federal estate tax.
- ❖ A full charitable deduction is allowed for the value of property transferred to a charitable organization.

The remainder of the estate is taxable. However, that does not mean that a tax is payable. The law allows a credit which offsets \$11.2 million of estate value .

The gift and estate tax rates are unified. Therefore, if the credit available to offset gift taxes has not been used, it is available to offset estate taxes.

## Credit Available to Both Spouses

This tax credit is available to both spouses. By making election at the first death, a married couple can transfer twice the value to personal beneficiaries, tax-free.

## State Death Taxes

There is a deduction against federal estate taxes for state death taxes actually paid. These taxes will fall into two categories:

### State Inheritance Tax

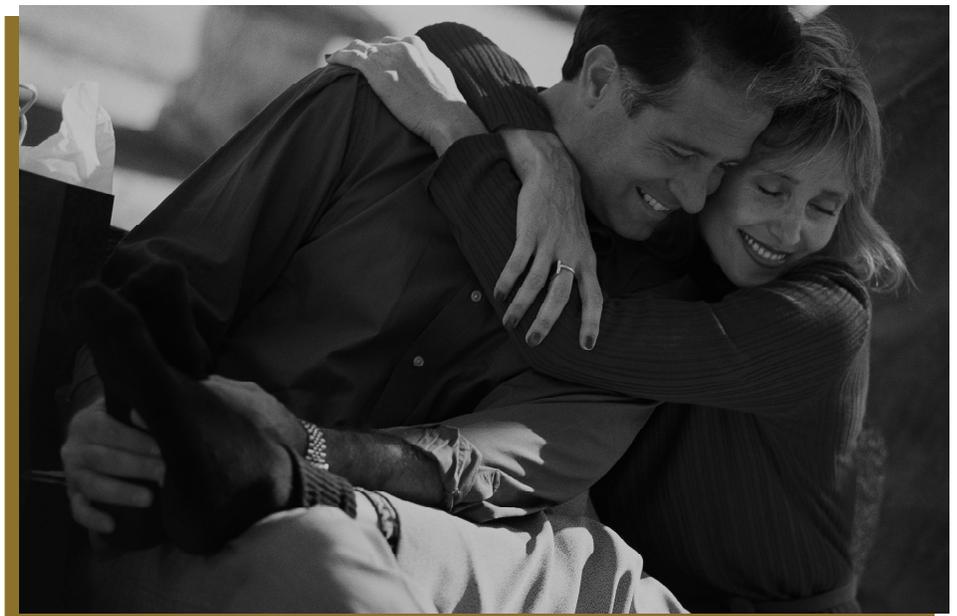
Many states have a tax on the right to inherit property. States that impose an inheritance tax usually divide beneficiaries into classes. Those closely related to the decedent form one class, those less closely related form another class, and those unrelated form a

third class. A different exemption is usually allowed for each class.

Certain types of property may be exempt from state inheritance tax, such as life insurance, real estate held jointly with a surviving spouse, etc. Your local tax adviser, legal counsel, or bank trust department can furnish you information relating to state inheritance tax implications in your state.

### State Estate Tax

In place of an inheritance tax, some states impose an estate tax that operates on a principle similar to the federal estate tax. The state imposes an established exemption or credit, and one tax rate (though it might be progressive) for all beneficiaries.



# LET'S GET STARTED

We have tried to help you establish priorities for your estate plan, and to challenge you to seek God's plan of stewardship for your estate. We have also tried to familiarize you with the estate planning process, its terminologies, and the basic tools available.

Now, it's time to begin gathering the information upon which your estate plan will be based.

Accompanying this Guide is a **Confidential Estate Inventory**. This inventory is designed to help you gather data on your estate to furnish to professional counsel, who will be responsible for designing and helping you implement your plan.

This is all information that you can gather in the privacy of your own home. And by doing so, you will conserve valuable time and reduce the cost of professional counsel.

## Confidential Estate Design

When you have completed the inventory, we will be happy to arrange for a confidential estate design to be prepared for you, written in laymen's language.

If you do not have an estate plan, the estate design will illustrate your current position and options available to you to save taxes, probate costs, and administration delays. It will also suggest how you can best establish property ownership to accomplish what you understand to be God's plan of stewardship for your estate.

If you have an estate plan, the design will provide information concerning the possible need for review and revision of the plan. It will also illustrate options available to conserve additional taxes and probate expenses.

In either case, this estate design will help you better under-

stand your estate plan. And it will provide a format to help you discuss these options with your legal and tax advisers. It should also save time and expense in relating this information to legal counsel for the drafting of the instruments necessary to put an estate plan into effect, or to change your existing estate plan.

You will find this to be a valuable "first step" in establishing an estate plan with which you are comfortable, and which satisfactorily expresses what you understand to be God's plan of stewardship for your estate.

## Without cost or Obligation

Rarely will you find a service of this quality free of charge, and without obligation. While the dollar value of this service from profit-making firms could be thousands of dollars, its real value is in your personal satisfaction. You will have an estate plan which not only provides maximum avoidance of taxes, probate costs, and delays, but also one worthy of the comment, "Well done, thou good and faithful servant."

It is available because we know you want to be a good steward of the assets that God has entrusted to you. It is our ministry to you and our way of saying "Thank you," for helping us do our part in fulfilling the Great Commission.



## Confidential

All information will be held in strictest confidence. You have complete control over the distribution of your finances. Our only function is to provide you with access to sound information and spiritual counsel.

## How You Can Receive These Services

The first step is to gather all the necessary data. Complete the inventory form as best you can, and return it as directed on the inventory form.

Based upon this information, we will prepare a confidential estate design, which will include the following:

- ❖ An outline of the information on which the design is based,
- ❖ Analysis of your present financial circumstances and tax consequences,
- ❖ Discussion of alternatives to better meet your personal objectives, and
- ❖ An estate design flow chart that will help you better understand what happens at each step.

Once you have reviewed this information in the privacy of your

own home, you will want to review it with your attorney. At your direction, your attorney will be responsible for establishing or changing your plan.

Remember, we are happy to provide any personal assistance you need. Our objective is to help you by providing the highest quality information, from a Christian perspective, for review with your own legal and tax advisers.

## One Final Thought

In the Scriptures, we read a parable about a man who went to a far country, and left his estate with his stewards. He was gone for a long time. But one day he returned and called his stewards to give an accounting of their stewardship.

One steward shared his success, and the master rewarded him. The second one, likewise, shared his success as a steward, and was rewarded. The third man said, "I knew that you were a hard man, and I dug a hole in the ground and hid your estate for safe keeping." As you know, the steward was condemned for being wicked and lazy.

Many sermons have been preached from this passage of Scripture. But consider this interpretation.

The "wicked" steward may not have believed the owner would

return. In those days, traveling was dangerous. There were robbers and thieves, and it was not unusual for a man not to return from a long journey.

If the steward had placed the estate in the marketplace he would have had to recognize the master's ownership. Perhaps he thought by burying the property, if the master did not return he could keep it for himself.

How many Christians have the same feeling? No, we do not dig holes in the ground and store the property. But we do not recognize God as owner, and we may not believe that He will return and hold us accountable for our stewardship.

If we really believed that, we would do many things differently, such as proper estate planning, recognizing God's ownership and our stewardship responsibilities.

Remember, God has promised you forgiveness for your sins, but He has not promised you tomorrows for your procrastinations.

*Start to plan or  
review your  
estate plan  
TODAY*

# GLOSSARY OF ESTATE PLANNING TERMS

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**Adjusted Gross Estate:** Also known as the taxable estate, the gross estate less estate settlement costs.

**Administrator:** An individual appointed by a court to settle the financial and legal affairs of a person who dies without a will.

**Administratrix:** A female administrator.

**Ancillary Administration:** Administration of a decedent's estate in a state other than the state of residence, where the decedent owned real property.

**Ante-nuptial Agreement:** Contract or agreement between a man and a woman before, but in contemplation of marriage. Property rights and interests of the prospective husband, wife, or both, are determined, and property is secured to either or both of them, or to their children.

**Attestation Clause:** That clause in a will in which the witnesses certify that the will has been signed before them and describes how all parties signed the will.

**Beneficiary:** One named in a will to receive or use estate assets.

**Bequest:** A transfer of personal property by will. Distinguished from a devise which is a transfer of real property by will.

**Bond:** An insurance agreement under which one party becomes surety to pay, within stated limits, financial loss caused to another by specified acts or defaults of a third party.

**Co-administrators:** Two or more persons named in a will to settle an estate.

**Codicil:** The only legal document that can change a will. It is a supplement to a will, adding, taking from, or altering the will's provisions. It must be executed with the same formalities as a will.

**Common Disaster:** When two or more persons (usually husband and wife) die as a result of the same accident, when the death of each follows in a relatively short period of time.

**Community Property:** In some states property acquired by the efforts of either husband or wife forms a common fund in which each has an equal interest.

**Conservator:** One who is appointed by the court to protect the interests of an incompetent.

**Corporate Fiduciary:** A bank or trust company exercising fiduciary powers under statutory authorization.

**Co-trustee:** A joint trustee to whom specific duties are assigned.

**Credit Estate Tax:** State death tax added to basic levies to bring state taxes up to the total maximum credit available under federal tax law.

**Domicile:** The location of a person's home or principal residence although he may also have living quarters in another location.

**Durable Power of Attorney:** A written instrument by which one person authorizes another to take specific actions for him, as stated in the instrument; authority is extended to periods of disability and incompetency.

**Estate:** The property of an individual, both real and personal, in the process of administration.

**Estate Plan:** An arrangement for the management and disposition of a person's property during lifetime and at death. This can be accomplished by a will, trusts, gifts made during life, or a combination of these.

**Executor:** A person or agency named in a will to administer the estate of a deceased person. (Synonymous with personal representative.)

**Executrix:** Feminine form of executor.

**Guardian:** A person who has the legal duty and power to take care of the person and property of another who because of some disability (usually age or incompetence) is considered incapable of administering his or her own affairs.

**Holographic Will:** One that is written entirely in the maker's own handwriting, not attested by subscribing witnesses.

**Incompetent:** A person judicially declared to be incapable of managing his or her affairs.

**Inheritance Tax:** A tax levied on the right to receive property from a deceased person. This tax should be distinguished from the estate tax that is levied on the right to transmit property, not the right to receive it.

**Inter Vivos:** Term used in law to describe agreements made while living.

**Intestate:** Death without leaving a valid will.

**Joint Tenancy:** Where two or more persons own property, either real or personal, according to a separate agreement. The property does not pass to heirs and cannot be disposed of by will. It passes only to a survivor (or survivors) of the tenancy.

**Marital Deduction:** A provision under the federal tax law by which a qualified estate of an unlimited amount may be transferred to a spouse, exempt from tax.

**Mutual Wills (Reciprocal):** Two documents that have the same provisions but are executed separately by husband and wife.

**Nuncupative Will:** One that is given orally, in the presence of witnesses, usually during one's last illness under circumstances that make it impossible to prepare a written will.

**Per Capita Distribution:** Distribution of property among descendants as individuals and not by right of representation.

**Per Stirpes Distribution:** Where the children of a decedent receive only that share of property which the parent would have received if living.

**Personal Representative:** A person or agency named in a will to administer the estate of a deceased person. (Also executor/executrix.)

**Probate:** The action of proving before a competent judicial authority that a document offered for official recognition and registration as the last will and testament of a deceased person is genuine.

**Property:** Anything that may be the subject of ownership, real and personal, tangible and intangible. It is that which belongs exclusively to a person, with full rights to enjoy and dispose of it. *Real property* is land, or any estate in land. It generally includes whatever is built or growing upon the land. It may be defined to include anything that is immovable. *Personal property* is all property other than real property. It generally refers to property that is movable.

**Successor Trustee:** A trustee who follows the original or prior trustee.

**Trust:** A legal relationship when one party (the trustee) holds legal title to property for the benefit of another (the beneficiary).

**Trustee:** A person holding a right or power and property for another person (the beneficiary).

**Will:** A legal declaration that makes provisions for the distribution of property at death.

**Witness:** One who personally sees or perceives a thing, and testifies to what he has seen, heard, or otherwise observed or learned.



*Mission to the World*  
*1600 North Brown Road*  
*Lawrenceville, GA 30043*  
*Phone: 678.823.0004*  
*[www.mtw.org](http://www.mtw.org)*