Estate Planning

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I. Introduction.

A. Most people underestimate the value of their estate.

1. For example, buying an airline ticket makes the carrier assume a $75,000 liability in carrying you.

2. The speaker carries a $100,000 dollar liability.

B. The title should really be, “How to accomplish objectives with money.”

II. What to do.

A. Have objectives.

1. It is best to name those who you want to plan for so that you are dealing with human problems not merely wealth.

2. Estate planning should be coordinated with life planning. Put yourself at the top of the list.

3. Most leave their wealth with their wives. But wives that are left with their husband’s estate have nothing left statistically only 17 months on average.

4. The widespread belief that making a will moves you towards premature death is a superstition. Eight out of nine church members die without a will in existence. Where there is not a will the state makes one - they are slow about it and it costs a great deal. Money can go where you would not want it to - many examples exist with hurt spouses and children.

a. Example of a man who trying to prevent money from going to his separated child was not successful.

b. Example of a woman whose invalid child was not supported.

c. Example of a man whose wife and children were not supported.

B. Legal matters.

1. Have a valid will.

2. Be aware of the tax laws and the devices available.

a. The federal estate tax can run from 3% on a small estate to 77% on a large estate. Therefore the person who owns a lot cannot pass on much. This is not in regards to marital deduction.

1) This is a tax on the transfer of estates.

2) The federal tax is levied on the estate. The levy tax is levied on the receiver.

3) If the insurer is owner of the policy, the insurance is taxed too.

b. The average shrinkage of estates is 34%.

c. Some solutions.

1) Part of the estate can be set aside for the wife after the husband dies as tax deferred.

2) A tax-free charitable donation can be made to the charity of choice through the payout of a purchased insurance policy.

3) Up to $60,000 of the remaining can be tax deferred as well.

d. Insurance goes back into your estate. Many give a liberal allowance here, but most charge an estate tax.

3. The laws are favorable to charitable institutions because they save the country millions through their effects.

a. Living gifts can be used and these are not a matter of public record.

b. A grandfather trust postpones the payment of a tax until another generation.

c. A grantor trust allows you to accumulate all the interest to yourself and still have a charitable trust. This is about all the ways that you can control all your money and still give away 30%. It takes very little work to give 30% of your income to charitable contributions. All the income here belongs to you.

d. A short-term charitable trust (two years or longer). This sets up the trust where all the income goes to one of your charitable organization for two years. You do not get the income, but you remove it so that your charity can receive the benefits.

e. For older people there is a gift annuity. They deed their estate over to an organization and they make a living off of it for the rest of their life. They would make more than they would working.

f. They can also make a life-income agreement by which the estate is transferred to the charity they agree to. They can get the income from the organization and be relieved of the responsibilities. The responsibility is given to the organization.

g. If your contributions have equaled your tax in 8-10 years, you have what is known as unlimited contributions.

Application questions.

1. What new observations have you made about estate planning? What are the three things to be primarily concerned about?

2. Why is estate planning important? Which areas peak your interest most in the tax laws?

3. What will you do in light of this message? How does practicing sound financial principles reflect one's stewardship towards God?