

BIBLICAL PRINCIPLES OF ESTATE PLANNING

As with most other things, the world's way of approaching estate planning is profoundly different from God's way. Estate planning affects literally everything we consider ours. Because of that, it is the single most important act of stewardship we will ever undertake.

As believers we understand that God is the owner of everything; in estate planning, we are merely arranging to transfer stewardship responsibility, hopefully in a way that would please the One who has created and who owns all things. He said in Psalm 50:10-12, "... for every animal of the forest is mine, and the cattle on a thousand hills. I know every bird in the mountains, and the creatures of the field are mine. If I were hungry I would not tell you, for the world is mine, and all that is in it."

In preparing our Wills or Trusts we are faced with a number of fundamental considerations that go to the heart of creating an estate plan that reflects His priorities: How much is enough for my children? When should they receive an inheritance, and how much of that inheritance should be an outright gift of capital versus an income stream that might be made available over a number of years? What kind of eternal impact do I want to make through ministries that have been important to me and my loved ones over the course of our lives? What kind of tax and probate strategies need to be adopted to assure that there is the smallest amount possible lost to estate taxes, income taxes and probate at the time of my death? And ultimately, because I know that one day I will stand before the Creator hoping to hear His "Well done," I care above all else that I create a "Christian" estate plan. But what does that look like?

Because the tools and techniques available to the believer are equally available to the non-Christian, there can inherently be nothing about the tools themselves that make an estate plan "Christian". Rather, it's the design of the estate plan ... the prayer and careful thought put into it ... that will determine how well it reflects Biblical priorities.

Capital vs. Income – Understanding the Difference



Both Scripture and life experiences teach that there are substantial differences between capital and income. Income is earned on a day-to-day basis and is spent meeting daily needs. Income not spent becomes part of our capital and is invested in savings accounts, houses, stock market strategies, businesses, livestock and more. Another word for capital is "endowment".



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An endowment is simply assets that are invested to produce income. Americans work hard to accumulate enough capital over our working years so we can live off the income it produces when we grow too old to earn further income from our work. That's the core or how an "endowment" works. Today we think of endowment as financial investments, but the Old Testament contains other great examples of God using capital to advance His Kingdom. Genesis 41 describes a time early in Israel's history when God used Joseph to cause the King of Egypt to order an unprecedented storage of grain against the coming seven years of famine. Through that endowment, the people through whom the Savior of the world was to come were kept from starvation.

Later, when Nehemiah (see 2:8) was given permission to rebuild the ruined walls of Jerusalem, he was able to harvest timber from the forests of King Artaxerxes. Properly stewarded, the forest was a renewable resource ... one that would remain available to benefit the people repeatedly. So the first thing to realize is that for each of us, there are only three possible destinations for our estate ... only three entities can be endowed with capital. We can transfer it to loved ones, or to ministries that have had high impact upon our lives, or we can endow the Internal Revenue Service. No other options exist.

Estate Design – The Big Picture



What does an estate design typically look like? Generally, arrangements would be made, whether using Wills or a Revocable Living Trust, to leave the estate to the surviving spouse at the death of the first spouse. Then, at the death of the surviving spouse, if children are still too young to be responsible stewards of their inheritance immediately, all the estate would go into a children's trust to be administered by a trustee you have chosen ahead of time... someone who knows and loves the children, who can manage money, and who can work with the guardian.

A children's' trust is usually not ended by being divided among the children all at once, because if you've died early, there could have been some important life lessons the children will have missed in growing up. Generally, then, the trust would be terminated in stages, perhaps 1/3rd going to them as they reach age 25 or 30, half the balance a few years later, and the remainder another few years beyond that.

For families wanting to benefit ministries, the organizations would be included in the plan from the beginning, but the documents are typically structured so if the parents die while the children are still young enough to need the children's trust, nothing would go to charity at that time; rather, everything would remain in the children's trust, available to the trustee to use for the benefit of the children until the division date of the children's trust. At that point, the children are grown, they are launched in life, they have received their education, they are no longer dependents in the Biblical sense of the word, and so the value of the estate can be allocated among children and ministries in whatever percentages you choose.



Benefitting Children and Ministries – How to Decide

There are two predominant ways that families determine the allocation of the estate between children and ministries once the children are grown. Many Christian families decide to designate a tithe of the estate to the Lord's work. Tithing in this context is not based upon Scripture, since Biblical tithing relates to income rather than capital; nonetheless, tithing is a familiar percentage to believers, so that's often the percentage that is chosen for ministries from an estate. Even more frequent than tithing is the concept of treating your favorite ministries like one additional child.

If a family has three children, they might carve the estate into four equal parts, giving each of the children 25% of the estate, and dividing the remaining 25% among the ministries they want to benefit. We think of this as creating a "child called charity". Families seem to like this approach because of the clear statement it makes to their children of the value they place upon perpetuating and participating in the work of the Lord. Thoughtful planning also often results in capping the children's inheritance at a certain level, leaving the excess to ministry.

Two Biblical perspectives affirm the idea of leaving the estate to a combination of children and charities. The first priority is that of dependency. Paul writes in 1Tim. 5:8 that we are worse than an infidel if we fail to take care of those in the household of faith. As a Christian, it's difficult to imagine anything worse than being called an infidel! The phrase, "those in the household of faith", refers to those who are our financial dependents. Obviously, children who are minor are financially dependent upon us ... and anyone who has raised children understands only too well that their dependency doesn't necessarily end the day the child turns 18.

Financial dependence can extend beyond that, hopefully on an annually diminishing basis, but at some point our experience, wisdom and Scripture seem to agree on the importance of children learning to stand on their own financially. In much the same way, ministries that have been important to us over our lifetimes ... those places where we have worshipped, mission organizations in which we or our friends have served, schools in which our children have been able to receive an education from a Christian worldview, these and other kinds of ministries have become in a very real sense, dependent upon us.

The second Biblical perspective that should inform this discussion is that of love. John 3:16 says, "God so loved that He gave," and in that context, we have the freedom to do whatever we feel God is leading us to do for people and for ministries we love.

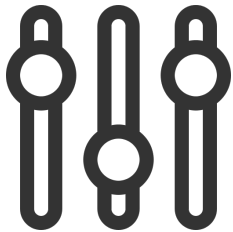
Structuring the Inheritance



The point has already been made that if children are financially dependent, not yet old or experienced enough to be entrusted with direct stewardship of their own inheritance, their inheritance should be in the form of a trust. In that event, the children's access to money would be through the approval of the trustee you have selected to manage those funds. Increasingly, however, families find it's appropriate to never give all of the children's' inheritance as an outright gift of capital.

Sometimes, parents are concerned that children may not have the financial wisdom to manage capital wisely, so they choose to leave all or part of the inheritance in the form of an income stream that could last many years into the future, or even for the child's lifetime. In other instances, parents may be concerned about future potential for lawsuits or divorces their children may experience; in those instances, it can make sense for an inheritance to be protected in a trust that can last for the child's lifetime with the residue passing to succeeding generations or to ministry at the death of the child.

In the same way, benefits can be left to ministries in the form of an endowment that provides an ongoing income stream to those ministries, or in the form of an outright gift of capital to be put to immediate work. A wide range of options exists for benefiting both children and charities, and it's generally possible to find solutions that will address whatever concerns and priorities you may have.



Should All the Children be Treated the Same?

It isn't unusual to find that couples have put off their estate planning, sometimes for years, because of lifestyle or work ethic concerns they have for one or more of their children. In that context it's important to return to a fundamental definition of what estate planning is, which is to determine the stewardship of what God has entrusted to you when the time comes that you can no longer serve in that capacity yourself.

The fact that you may have children with varying levels of financial maturity, or varying degrees of agreement with your spiritual values or work ethic should inform the overall design of your estate plan. A careful reading of Scripture relating to inheritance uncovers no example of all children being treated the same; rather, in the Old Testament, the guiding principle was that the oldest son received a double portion of inheritance, and daughters were to become part of their husband's family insofar as future financial support was concerned. While this may sound jarring to the modern Western ear, all we need do is observe people around us to quickly understand that God has treated His own children ... each of us ... differently insofar as giving us access to the riches of this life is concerned.

Some of us steward a great deal of money, while others of us have struggled financially all our lives. In the end, however, God seems to tell us that He wants us to be content (Phil. 4:11), and that He wants us to trust His provision in all things. So the design of a "Christian" estate plan has far less to do with the tools and techniques brought to the table than it has to do with the process we go through to seek the Lord's will with regard to whatever He has entrusted to us. Finally, our children make career choices that may lead us to not treat them equally. One may be in a high income profession while a sibling has chosen the mission field.

What Amount of Inheritance is Right?



How much is enough for the children? Should I give them as much as I can, or should I limit the amount I leave to them? Aside from such questions as whether the children's values reflect our own, the understandable desire to be generous to children may need to be tempered by the realization that receiving too much too soon may be more harmful than helpful.

In Luke 15:11-31 Jesus tells the story of the Prodigal Son, which is, among other things, a story about a father who readily gave a generous inheritance to a son who had not yet learned to be a good steward. The prodigal blew his inheritance and ended up living with pigs. Ultimately, loss and devastation were redemptive in the prodigal's life and led to a wonderful reunion with the father. So it isn't our purpose here to suggest what anyone "ought" to do; rather, we believe it's important to think and pray through these considerations carefully in planning for one's estate distribution.

A reading of Genesis reveals that God has always intended us to earn what we have through our labor, rather than as an easy gift of worldly goods. In His perfect design, our work was supposed to be more easily productive; it simply became more difficult after we entered into sin (Gen. 3:19).

What About Grandchildren?



Proverbs 13:22 says, "A wise man leaves an inheritance for his children's children". On its surface, that might seem to suggest the advisability of establishing trusts for grandchildren, but a more thoughtful reading inescapably leads to a different conclusion. It's difficult to imagine that this particular verse is advocating a financial inheritance when so many other places in Scripture describe the "things of this world" as being destined for destruction by being eaten by moths, or through rust and decay.

Rather, the kind of eternal inheritance that we can leave to our children's children might include a strong local church in which our loved ones can come to Christ and grow in their understanding of Him; a healthy mission field on which to serve, a place to receive an education with a Christian worldview, outreaches to the poor and downtrodden of life; these are inheritances of eternal worth. Still, grandparents are often in a better position than their children to provide some of life's extras, even including helping with education costs.

Obviously, the best way to benefit grandchildren is to simply live long enough to make appropriate current gifts year by year. If you believe that your children are being good parents, we generally recommend that gifts be left to your children for them to allocate among their children in a way and at the time they deem best.

It's certainly possible to create a trust to meet future needs of grandchildren, but when we recall that estate planning is at its core the process of passing on stewardship responsibilities, most people should defer commitments to the grandchildren's generation until the grandchildren are old enough to have demonstrated that they have a Christian worldview and are living out a value system consistent with the Christian faith.



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Christian Testimony

Estate documents can present a wonderful opportunity to leave behind a written testimony of your faith in Christ. D. L. Moody's Will contained this great example as a lasting expression of his eternal confidence in Christ. "You may have heard that I died. Nothing could be further from the truth. I am alive and well, enjoying the presence of God for eternity.

It's my hope that you will take great joy in my recent promotion. It's also my prayer and request that if you haven't discovered the truth about God sending His son to die on the cross so that none should perish, you will seek His truth with great urgency as a personal favor to me." Another enduring, clear statement was left by Patrick Henry, one of America's Founding Fathers, who said, "If I had all the goods this world can offer but had not faith in Christ, I would amongst all men be poor indeed."

You can create your own letter to loved ones, affirming and encouraging them. Consider joining the countless Christians who have made such statements either by incorporating them into the text of their documents, or in letters to be found with their documents following their deaths. Such statements would be treasured, indeed, by those you leave behind.

Father, You have blessed me and have met my every need in ways far beyond my understanding. The scope and generosity of Your provision sometimes takes my breath away. Thank You. Cause me, Lord, to understand Your perfect will for the use of the assets you have entrusted to my care during my time upon the earth. I ask You to give me Your mind, Your plan for how best to impact eternity through the loved ones and the ministries that have been important to me over the years. I love You Lord, and pray that the decisions I now make would be pleasing to You.



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