

CHRISTIAN MONEY \$ENSE

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Estate Planning After 2001

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Our thoughts in the last weeks have been focused on the past and the future. What will the tragic events of September mean for our families, our nation, and for us in the months and years to come? Before our very eyes, we saw illustrations of the brevity of life and the importance of God in death as well as in life.

Some may remember that Congress passed an important law earlier this year, the Economic Growth and Tax Relief Reconciliation Act of 2001. This is such a complicated name for a simple concept – a tax reduction. As we focus on the future of our nation, let us not forget to do proper planning for our estates as well. Good planning can mean paying fewer taxes. More importantly, it can mean passing a Christian legacy to our families.

Starting in 2002, each person can give up to one million dollars to other people without paying federal estate taxes. You can still give an unlimited amount to your spouse without paying federal estate taxes. The 2001 legislation also increases this exemption amount annually, and repeals the federal estate taxes starting in 2010. Don't expect that law to stay on the books. Congress will probably repeal that at some point.

Because of these changes, some may think that estate planning is unnecessary. Nothing could be further from the truth. Even though the new legislation may exempt you from federal estate taxes, you still need a will. Are you going to let the government decide who gets your children? Will the government give money to the ministries that are important to you? The government can reduce your taxes, but only you can give to the Lord's work. The government can reduce your taxes, but only you can build generosity in your family.

The government did not reduce all of the taxes that your estate will be subject to. Many do not realize that their regular IRAs and 401ks are subject to a nasty little rule called Income With Respect to Decedent (IRD). This

rule taxes the beneficiaries (other than your spouse) of your tax-deferred retirement plan as ordinary income in the year they receive the money. How large is your IRA or 401k? Divide that amount by the number of children you have. If the result is over \$50,000 per child, you are probably going to lose about 50% of your retirement plan in taxes. There are ways to avoid this situation through the use of charitable trusts. You will end up giving more to your children and to the Lord's work. But you must implement this plan before your death.

This has been a frustrating year for stock investors. Many do not realize that a down market may be a great time to make a stock gift to the Lord's work. If your stocks have decreased in value this year, you will be able to sell them and take a significant loss, which can save tax dollars. If you then gift that money to the Lord's work you will be able to maximize your charitable contributions because your income tax rates are higher this year than they will be next year (because of the 2001 tax law change). The Lord's work still goes on, even in a down market. This may be a great time for you to make a stock gift to further the Gospel.

Let me encourage you to request our Stewardship Introductory Packet free of charge or obligation. This information will help educate you on biblical stewardship and maximize your tax savings. Contact our office for this important information. Only you can build a Christian legacy in your family. Use your estate plan as a tool to show your family the importance of Jesus Christ in your life.

BBC Foundation has been ministering to churches and individuals regarding biblical stewardship since 1992. Send your questions on finances and stewardship to: BBC Foundation, 538 Venard Rd., Clarks Summit, PA 18411. Phone: (800) 451-8668, website: bbcfoundation.org; e-mail: info@bbcfoundation.org