

CHRISTIAN MONEY \$ENSE

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Voting Your Estate Tax Dollars

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Well, if you did not know already, let me be the first to tell you. This is an election year. We are going to be told by some that our lives are awful and by others that our lives have never been better. We will be asked to consider the future—our future—and to vote accordingly. One of the saddest facets of politics is not the multitude of promises that are given to secure victory, but the fact that most adults do not vote. Elections and our country could be significantly different if more people voted.

There is another area in which people choose not to exercise their voting rights. The area is federal estate taxes. This lack of action can have serious consequences. Federal estate taxes can take up to 50% of the value of your estate, but for many people this tax is optional. You can do nothing and “vote” to leave huge sums of money to the government in taxes. Alternatively, you can develop an estate plan and “vote” to give more money to family and charity. Trusts allow you to pass assets on to others without going through the probate court.

It is important for Christians to be good stewards, not only during life, but even in contemplation of death. Paul said, “It is required of stewards that one be found trustworthy” (1 Cor. 4:2, NASB). We are to manage the property that God has given us with great care. You can structure your estate so that your family is better taken care of and lives are impacted for eternity. Let’s review some basic estate terminology:

- Estate—The total value of all of your possessions, investments, and life insurance in your name when you die.
- Will—A legal document prepared by an attorney that tells your executor (personal representative) and a probate court your wishes for disbursing your estate.
- Probate—A legal process before a court that disburses your assets after you die.
- Trust—A legal entity you can create in addition to your will. You “fund” the trust by transferring assets to it. The trust can provide income to those whom you choose and in many cases can reduce or eliminate your estate taxes.

Estate taxes are computed upon the net value of your estate; that is, your total assets less any debts and charitable contributions. After you pass away, your debts are paid first. Also, married people are able to pass 100% of their estate to a spouse without any federal estate tax consequences. When passing possessions to others, currently the first \$1,500,000 of your estate can be passed on to family or friends tax-free. Estate

taxes are computed on the remainder of any estate over \$1,500,000. This amount is per person. If you are a single or married person with more than \$1,500,000, you may want to consider a trust. These thresholds may seem very large, but when you consider all of your possessions; investments; real estate; and life insurance, you may exceed these amounts and not even realize it.

Most people want to avoid paying estate taxes. We do not want our hard-earned money to be paid in taxes. We want the best of both worlds. We would like to enjoy the use of the assets but do not want them included in our taxable estate. There are legitimate ways to accomplish both of these goals. One way is to gift property to individuals or charities during your life. The property is no longer yours, but you can enjoy seeing the property used to benefit the recipient. It can also be a way for you to test the recipient to determine if he or she is able to handle additional gifts. The law allows each person to give up to \$11,000 per year per individual tax-free. Anything above \$11,000 will be taxable for federal gift taxes.

For those with a generous heart toward ministry, there are a number of charitable trusts you can create that will provide higher income for life, move assets out of your estate, and provide for the Lord’s work. You are also able to name the individuals or ministries that will receive the assets from the trust upon your death. If you have appreciated stocks that pay you dividends, you may benefit greatly from one of these trusts. Capital gains taxes are avoided because the charitable trust sells the assets, and you can receive much higher income than you are currently receiving. This is a wonderful way to provide for your family and give to ministry at the same time.

Education in these areas is very important. Contact BBC Foundation to request more information. Your estate situation may dictate that you implement some of these ideas to continue good stewardship. Remember that you will have more than one opportunity to vote this fall. Develop an estate plan and vote your estate tax dollars!

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: foundation.bbc.edu e-mail: foundation@bbc.edu