

Estate Planning & Planned Giving Primer

Grace Bible Church of Bakersfield

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Today's Roadmap

- Introduction
- Importance of planning from a Kingdom perspective
- Part I – Basic contours of California plans
- Part II – Smart ways to give
- Q&A* with no lawyer fee :)

* No attorney-client relationship formed. At all.



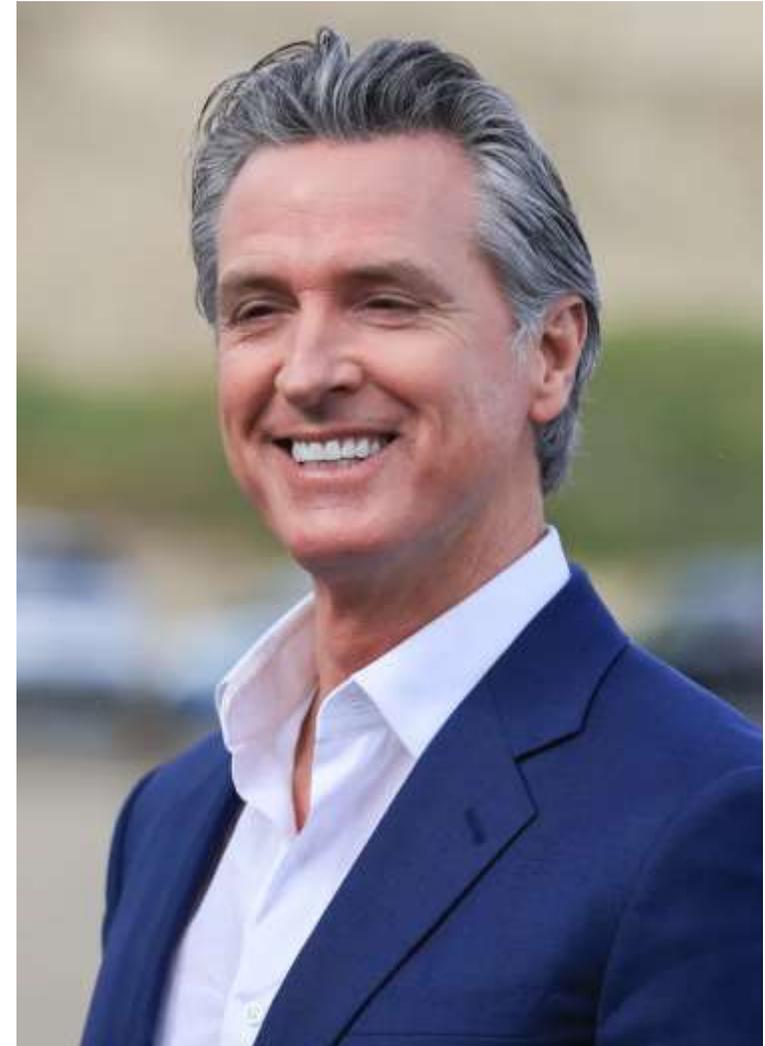
Importance of Planning

- Most Americans will die without a valid estate plan in place
 - A number to remember: 67
- Great wealth transfer (aka “silver tsunami”)
 - Another number to remember: 68
- Your end of life and estate gifts can dwarf your lifetime giving
 - Generational patterns
- My duty to warn



Part I – Basic contours of an estate plan

- If you do nothing
 - State has a plan for your estate
 - Heirs may unnecessarily incur taxes
 - Court decides (without decedent input) who raises your minor children
 - Medical wishes may not be carried out
 - Unnecessary stress on your family



Consequences of Poor or No Plan

- Unclaimed assets “escheat” to state



What is an Estate?

- Your estate is simply the sum of your assets
 - Your home
 - Other real estate
 - Personal tangible property
 - Bank accounts
 - Retirement benefits
 - Investment accounts
 - Business interests
 - Other investments
 - Intellectual property



What is Estate Planning?

- Appropriately transfers your assets at death
- Provides for your children's needs
- Avoids unnecessary taxes
- Anticipates your incapacity
- Invests in your local church and other Kingdom causes



Preliminary Estate Planning Considerations

- What needs do your children have?
 - Age? Financial responsibility?
- How do you provide for your children?
 - Business succession planning?
- How much do you want to leave each child, or your children, as a group?
 - **When does a gift *hurt* more than *help*?**
- Is charitable giving an important part of your legacy?



The Planning Process

- Wills:
 - Govern the distribution of your personal property and assets held in your name
 - Name guardians of minor children
 - But do not govern assets that pass by beneficiary designation
 - E.g., IRAs, PODs, TODs, life insurance



The Planning Process

- Trusts:
 - Legal entities that hold assets
 - Many, many types of trusts
 - “Living trust” is common estate planning tool

Trust

['trʌst]

A fiduciary relationship in which one party, known as a trustor, gives another party, the trustee, the right to hold title to property or assets for the benefit of a third party, the beneficiary.

The Planning Process

- Living Trusts:
 - May avoid probate and its costs
 - Make the estate process simpler and easier
 - But, add some cost and administrative burden

Living Trust

['li-vɪŋ 'trʌst]

A legal document, or trust, created during an individual's lifetime (the trustor or grantor) where a designated person, the trustee, is given responsibility for managing that individual's assets for the benefit of the eventual beneficiary.

The Planning Process

- Is a Trust Right for You?
 - How large is your estate?
 - >\$150K?
 - >\$7M?
 - Do you own real property?
 - Do you own business interests?
 - Do you have assets held out of state? Internationally?
 - Do you have children from a previous relationship?



The Planning Process

- Some family distribution options
 - Outright in equal shares
 - In Trust until youngest child is ___ years of age and distributed at age(s) ___ and ___
 - In Trust for lifetime (special circumstances)

Note: these options apply to both Wills and Living Trusts



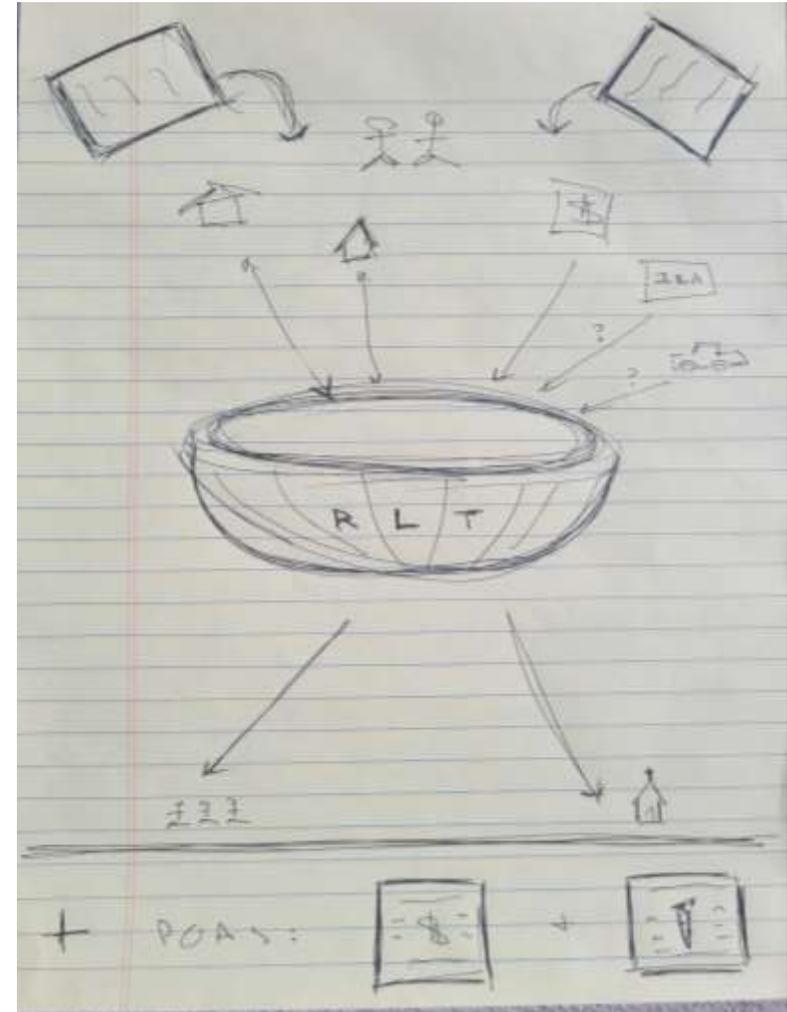
The Planning Process

- Incapacity planning
 - Durable Power of Attorney (POA)
 - Durable = effective during your incapacity
 - Revocable during your capacity
 - Two General Types:
 - Financial
 - Names a trusted person to act on your behalf for financial matters
 - Health
 - Names a trusted person to act on your behalf for health care matters
 - In California, also often used for end-of-life decisions



The Planning Process

- The People in Your Plan
 - Successor Trustee vs. Executor
 - Individual vs. Corporate Trustee
- Typical Trust Package
 - Married couple:
 - Revocable Living Trust (1)
 - Pour Over Wills (2)
 - Powers of Attorney (4)



Part II - Smart Ways to Give

- To be a good steward of the resources God has entrusted you with, you should understand ALL your options for giving
- Generous Christians often ask, “How can my giving be more impactful?”



IRA Qualified Charitable Distributions

- If you are 70 ½ or older
- Give directly from your IRA
- Give up to \$105,000 per year
- Counts toward your required minimum distribution
- Distribution reduces your taxable income
- Distributions are tax-free



Gifts of Non-Cash Assets

Most resources available to give are held in other assets, such as:

- Stock
- Real estate
- Business interest
- Cryptocurrency
- Commodities, equipment, or ???



Features of Non-Cash Asset Gifts

- Give more for less cost
- NOT constrained by your cash flow
- Receive a tax deduction for the fair market value
- Avoid the tax liability by gifting instead of selling



Ways to Give Non-Cash Assets

- Direct to church or ministry (typically through a foundation)
- Donor-Advised Funds (e.g., Stewards Fund)
- Life Income Gifts



Life Income Gifts

- Gifts that allow you to support church or ministry while retaining income for life
- Can be made with either cash or non-cash assets
- Particularly appealing for seniors on a fixed income
- Common examples:
 - Charitable gift annuity (CGA)
 - Charitable remainder trust (CRT)



Features of Life Income Gifts

By making a gift to a life income arrangement, you can:

- Receive an immediate charitable deduction
- Create a steady income stream for life
- Contribute cash or non-cash assets
- Have assets sold without realizing tax
- Remove assets from your estate



Gifts from a Trust or Will

Your estate plan is your final opportunity to communicate your values and priorities. A gift in your will enables you to:

- Give more than possible during life
- Extend your giving beyond your lifetime
- Retain assets while you are alive
- Leave a legacy



Sample Gift Options

- Tithe of your estate
- “Child Named Charity”
- Other percentage
- Specific assets or amount
- “Reduce to zero” clause

- Think “Total Estate”
 - Trust asset vs. probate asset vs. beneficiary designation

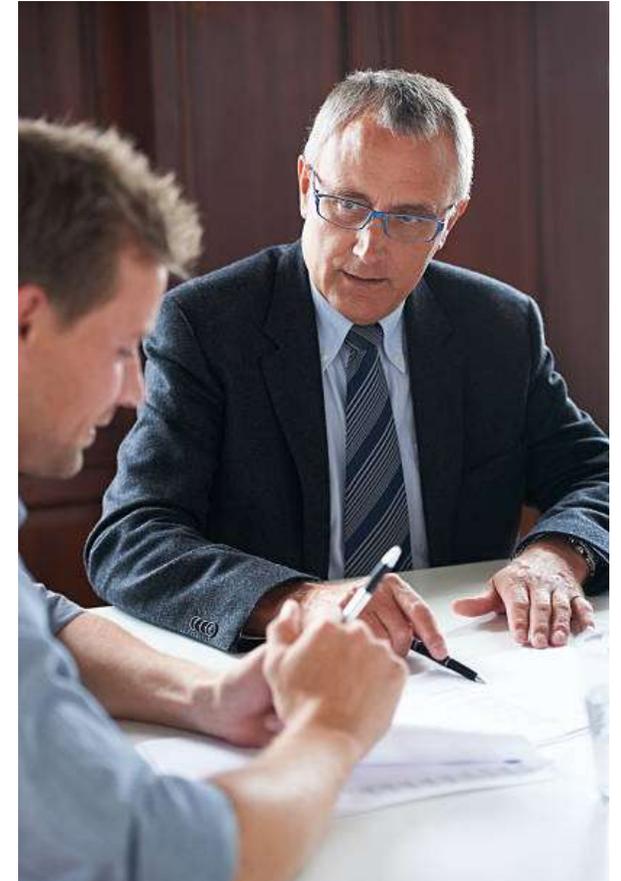


Tax Efficient Ways to Give

- Gifts during your life
 - Donor-advised funds
 - Gifts from an IRA (QCD)
 - Non-cash assets
 - Gifts that pay income for life
- Gifts from your estate
 - Pre-tax gifts first
 - Gifts from your will or trust
 - Beneficiary designations
 - Successor advisors

Next Steps

- Prayer
- Evaluate your current plan, if any
- Consult your advisors as needed (attorney, CPA, financial planner)
- Discuss charitable gifting opportunities with your church or ministry's legacy team



Q&A



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