

## THE WISDOM OF HAVING A WILL

### *Using Finances Seminar*

February 2-7, 2004

#### INTRODUCTION

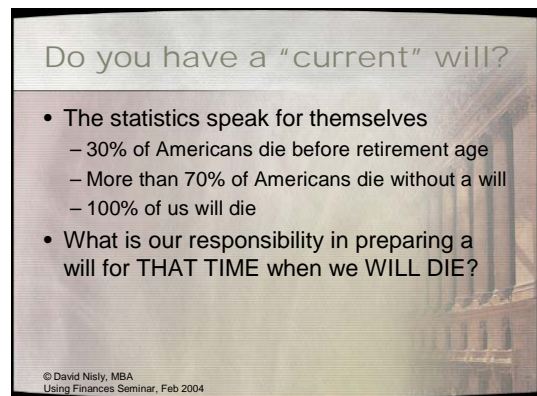
What would happen with your assets and money if you were to die today? In the simplest terms, that is what estate planning and having a will is.

Do you have a will? Perhaps a more appropriate question is whether you have a *current* will? Has your will been reviewed in the last two years? Has it been updated if there were things that have changed? Did you intentionally decide that everything in your will is fine, and nothing needs to be changed? Why did you bother? Or why did you not bother?

Many of us are not past retirement age nor do we have a terminal illness, so it easy to presume we don't really need a will. But is that really wise? Just because we aren't expecting to die, does not mean that God may have other plans. We all know that God frequently chooses to take people from this world that have not reached retirement or were battling cancer. According to statistics, more than thirty percent of Americans will die before they reach retirement age.<sup>1</sup> That is nearly one out of every three of us.

We may be tempted to think that when we die, we won't have anything to worry about. This is true. However, is this a responsible way of thinking? Is this a biblically-based approach? What about our spouse and/or family we leave behind? Depending on what was done or was not done can mean a difference of several months to settle the estate to years of protracted intervention by the courts, and the assets and money being divided inappropriately. The responsible and biblical thing to do is to plan appropriately for that time when we will die.

More than seventy percent of Americans die without a will.<sup>2</sup> What is even more interesting is that eighty percent of attorneys die without a will.<sup>3</sup> For some reason, most people postpone creating a will or



Do you have a "current" will?

- The statistics speak for themselves
  - 30% of Americans die before retirement age
  - More than 70% of Americans die without a will
  - 100% of us will die
- What is our responsibility in preparing a will for THAT TIME when we WILL DIE?

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<sup>1</sup> 30% statistic

<sup>2</sup> 70% statistic

<sup>3</sup> Attorney statistic

an estate plan while they are alive. Perhaps we don't want to face the fact that we will die – we just don't know when. Perhaps we don't know how we want our assets and money distributed. Perhaps we assume that things will be divided appropriately if we do die without a will. However, one fact or statistic that we will be a part of is that one hundred percent of us will die – the only remaining question is when it will happen. It may be today. It may be tomorrow. It may be next week or next year. It may be in fifty years. The fact remains. It will happen. In light of that, what is our responsibility for that time when we will die?

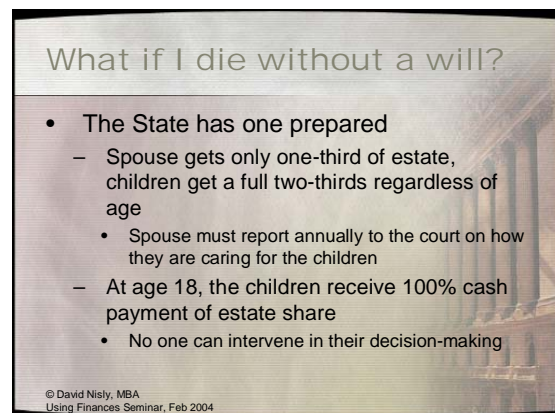
### DYING WITHOUT A WILL

What happens if I die without a will? For some reason, most of us tend to think there is not really a need to have a will. We *assume* certain things will happen if we would die without a will. For example, if I am single, I probably *assume* that my assets would go to my parents or my siblings. If I am married (with or without children), I probably *assume* that all assets would be transferred in full to my spouse. These assumptions are little more than false hope – they are simply assumptions.

The fact is that if I have not created a will before I die, I have not died without a will. I have simply agreed to use the will that the State has created. This *State-defined* will is not the type of will that we would have written for ourselves or even assume is in place.

Although the *intestate* wills vary from state to state, they are often similar in many ways and surprise most people who find themselves faced with the death of a family member who did not have a will.

In most states, the will includes many unreasonable demands. For example, in most states, if a person dies leaving a surviving spouse and minor children (under age eighteen), the spouse does not get the entire estate. Instead, most states have decided that in such a situation, the spouse should only get one-third of the estate, while the remaining two-thirds is spread equally among the children. If they only have one child, the spouse gets one-third, and the child gets two-thirds – twice as much as the spouse. If there are two children, the spouse gets one-third and the two-thirds is split two ways – each child getting



What if I die without a will?

- The State has one prepared
  - Spouse gets only one-third of estate, children get a full two-thirds regardless of age
    - Spouse must report annually to the court on how they are caring for the children
  - At age 18, the children receive 100% cash payment of estate share
    - No one can intervene in their decision-making

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one-third (the same amount as the spouse). None of the money specified for the children (the two-thirds) can be used by the surviving spouse to provide adequate care and support for the children. That must be done with the one-third allotment provided to the spouse. This scenario could even mean that a surviving spouse would need to sell the house they live in so that the two-thirds of the estate can be set aside – and remain untouched – for the children when they reach adulthood.

In addition, generally the surviving spouse is under the supervision of the court meaning that the surviving spouse must report regularly (at least annually) how they are caring for and providing for the children. If the court determines they are not being properly or adequately provided for, they have the power to remove the children from the surviving parent and place them in foster homes. At any point the courts deem necessary or appropriate, they can change or remove guardianship of the minor children and assign it to whomever they decide. It is also likely the court will require special permission from the court to place the children in private schools and other decisions of similar scope depending on the state and court system that is overseeing the estate.

Once the children reach age eighteen – the court’s definition of adulthood – the children receive one hundred percent of their share of the estate in cash. No one, including the parent, is permitted to intervene or provide active direction in how these funds will be used. If they do, the courts again will intervene and put a stop to any “meddling” of these funds. We all know that an eighteen year-old is not a fully responsible adult and will likely end up spending that money in ways far different than if they would receive it ten or fifteen years later.

While this is not an exhaustive look at the consequences of not having a will, I do believe we can see that it DOES matter if we die without a will. First of all, dying without a will complicated life for those we love most here on this earth – our family. Secondly, it give the State and the courts entirely too much control and authority over the distribution and control of the assets and money in our name.

### **THE CHRISTIAN’S RESPONSIBILITY**

One of the basic premises that all Christians must come to terms with is the God owns it all. *The earth is the LORD’S, and all it contains, the world, and those who dwell in it.*<sup>4</sup> As the

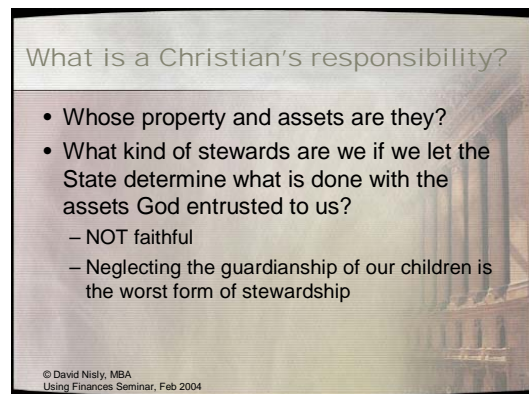
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<sup>4</sup> Psalm 24:1 (NASB)

owner, God has the right and privilege to allocate those possessions and assets to whomever He desires or to those whom He believes he can trust to properly care for and manage. We are all called to be stewards of all these things God possesses, and our responsibility is to be responsible with what God has given to us for our care. God does not judge us based on the amount He has entrusted to us, but rather, it is based on our faithfulness to what He has entrusted to us. That's all He asks of us – be faithful stewards. *Moreover it is required in stewards, that a man be found faithful.*<sup>5</sup> Each one of us will then be required to give an account for the way we managed and took care of the possessions God entrusted to us. If we were responsible, He will reward us. If we were irresponsible, He will discipline us. We must be faithful and responsible. *So then, each of us will give an account of himself to God.*<sup>6</sup> Far too many times, we seem to forget that we are simply stewards. We act and make decisions regarding our money and assets as if they truly belonged to us. We would likely make some different decisions from time to time if we were behaving as a steward instead of the owner.

Our carelessness and negligence regarding a will is one of these areas where we behave far more like an owner than like the stewards we are. How should a responsible steward respond to the idea of preparing a will? We should make sure that the assets are well-cared-for for our Boss (God) even if we are not here to do it personally. We are not being “faithful”

stewards when we allow the State we live in to determine what should be done with the assets we have. The State is not looking out for God's best interests when it determines how assets are to be allocated and managed. As Christians with our loyalty to our Boss, we have a greater responsibility to make sure we properly and adequately plan for the time when we will no longer live on this earth. Beyond tangible assets, to neglect the guardianship of our children is the worst form of stewardship we could possibly perform. They are “eternal” assets and our obligation to them is increased astronomically from those material assets we are managing.



## WHAT IS APPROPRIATE & RESPONSIBLE ESTATE PLANNING?

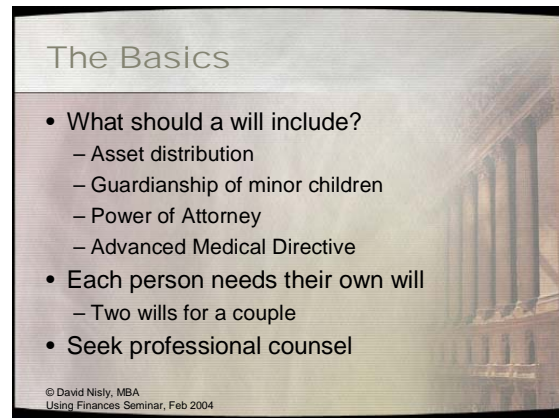
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<sup>5</sup> I Corinthians 4:2 (NIV)

<sup>6</sup> Romans 14:12 (NIV)

In the most basic sense, the bare minimum is to have legal documents in place to address four general types of questions or issues:

- **Asset distribution** – determine to whom you want to distribute your assets and in what proportions. This could include to your children, your grandchildren, other relatives, a charitable organization or some combination of them.
- **Guardianship of minor children** – it is extremely critical to assign the



guardianship to someone who has similar values as your own and whom you would trust to raise your children should both of the parents die.

- **Power of Attorney** – determine whom you want to make decisions on your behalf in case you are incapacitated and incapable of doing so. This includes the authority to make decisions regarding any assets including bank and investment accounts.
- **Advanced Medical Directive (Living Will)** – while you are healthy and of a sound mind, outline what extent you wish to rely on medical technology to keep you alive should such a time come. This directive appoints a person to make those decisions for you if you become incapacitated and are unable to communicate or cognitively make a decision on your own behalf.

For a married couple, it is critical that you have two separate legal documents – one for each of you. The documents may be verbatim, except for the names each other, but it remains important to have two distinctly different documents. The reason for this is that with certain arrangements and wills, upon the first death, certain things become “unchangeable” and locked in. This would then severely handicap the surviving spouse in making future adjustments based on what life changes occur.

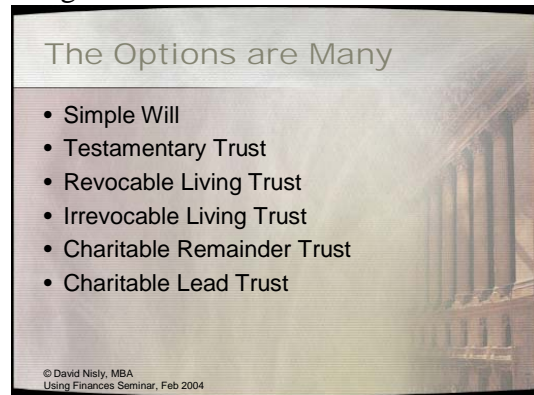
It is also important to seek professional counsel regarding your will or trust. While many of the do-it-yourself will kits are technically legal in most states, there are many nuances within states that are not reflected in these packages. The language is often intentionally vague and general to make the kits have a broader appeal. However, this ambiguity can also lead to complications when it comes to interpretation at the time of death. What one person may feel

was “meant” or the “intent” may be interpreted by a judge to have another – even potentially contradictory – meaning.

What the average person or couple frequently does not realize is that there is a whole realm of products other than the typical will that can be utilized depending on the situation. These products provide more flexible and alternate methods of managing, distributing and controlling the asset left behind in an estate. The more common variations utilize a vehicle called a *trust* which is nothing more than a legal entity in which the assets are controlled by a *trustee*.

Some of the more common methods are estate planning are the *will or last will and testament*, a *testamentary trust*, a *revocable living trust* (the second most common type), *irrevocable living trust*, *charitable remainder trust*, *charitable lead trust*, etc. This is not an exhaustive list, but gives some sense of the variations that are available.

In addition to these estate planning documents, there are two additional documents every individual should have in place – equally important as a will or trust. The documents are the *Living Will* or *Advanced Medical Directive* and a *Power of Attorney* as previously described.



## COMPARING A WILL WITH A REVOCABLE LIVING TRUST

What are the differences between a *will* and a *revocable living “inter-vivos” trust (trust)*? Why would a person choose one above the other – especially when one costs about five times more than the other? There are numerous reasons why a person may choose a *will* over a *trust*. The opposite is also true – there are many good reasons to choose a *trust* over a more typical *will*. Let’s explore some of these advantage and disadvantages of each and see if you will be able to better determine what may best for you. I would recommend that you discuss specifics of your situation before you make a final decision which is best for you.

First of all, a *will* is the simpler of the two and far less involved or complicated to prepare. A *trust* is a separate legal entity that is substantial more involved and complex in preparing, but by the same token, provides far more flexibility and controls in estate planning and asset management. A *trust* involves three distinct parties: ①the Grantor or Trustor is the person that creates the *trust*, ②the Trustee which is the person who manages the trust, ③the Beneficiary who

benefits from the assets in the *trust*. The interesting thing is that as the Grantor or the person that sets up the *trust*, you can be all three – Grantor, Trustee, and Beneficiary, which really does not change anything except everything is technically owned by the *trust*. As a separate legal entity, upon your death, the *trust* continues to exist and the Trustee and Beneficiary simply change.

The cost of preparing a *will* is substantially less expensive as well. Depending on your location, the cost of preparing a *will* can be as little as \$100, but it typically ranges from \$300-\$800. On the other hand, the average cost to prepare a *trust* usually begins at a minimum of \$1,500 up to \$3,500 or even higher depending on the complexities. Why would someone pay \$2,500 for a *trust* when they could have a *will* prepared for \$500?

One of the advantages of a *trust* is that probate can be almost entirely eliminated. Probate is the costs imposed on an estate by the court to carry out the instructions in the will. Typically, the cost of probate is a percentage of the total estate (less life insurance proceeds), ranging from 5%-8% depending on the state, but in some jurisdictions it is as high as 10%. If the only benefit of a *trust* does is save the probate, it is likely to save some money. On a \$100,000 estate, probate costs would likely range from \$5,000 - \$8,000. On a \$200,000 estate it would Compared to the \$2,500 cost of preparing a *trust*, this may make this an appealing alternative. However, I would encourage you not to use a *trust* only because of the probate savings. This is only one benefit.

A significant benefit of a *trust* is that it provides far greater flexibility when it comes to issues related to minor children and guardianship. A *trust* provides a mechanism to put controls and structure around when and how and under what conditions the estate is passed on to the next generation. It also can be used to provide direction regarding the guardianship of your children. Specific instructions can be given to the guardian(s) in relation to how you wish to have your children cared for in your absence. A typical *will* provides only limited direction and flexibility when it comes to guardianship and issues regarding minor children.

A *trust* also provides more flexibility when it comes to management of assets in larger estates. It also allows for greater tax strategies and tax savings. The tax savings and benefits of a *trust* are realized to their greatest extent when the estate exceeds the federal exclusion amount - \$1,500,000 in 2004. By using variations of a *trust* in asset management, the *trust* can become a very useful tool in significantly reducing, and in many cases eliminating the high estate taxes that are imposed on amounts exceed the federal exclusion amount.

Another benefit with a *trust* is the ease with which changes can be made at any time. Changes are also possible with a *will*, but require more additional legal fees to make a minor change than in a *trust*. A trust can have minor changes made – a word replaced or added, an amount or condition changed, an age requirement removed or changed, etc. in the document with very minor legal fees if any. With more significant changes, such as moving from the life phase with minor children to the phase when all the children are in college or married, a more major revision will likely be required.

Some people see one drawback of a *trust* in that it must be funded. A *trust* can be created and exist, but with funding, it is worthless. Funding is the process of moving assets from your name and/or the name of your spouse into the name of the trust. The benefits of a trust will not be realized to assets you own that have not been funded in your trust. While this does require some additional work upon the establishment of a trust, it really is not difficult to maintain this type of an arrangement. Any assets not “funded” are generally covered by a *pour-over will*, which is simply a *will* that “pours” all assets not previously funded, into the *trust*. All “unfunded” assets will go through probate as if the trust did not exist.

While privacy is not a big issue for some people, it is for others. A *trust* protects the privacy of an estate. Many people don't realize this, but when an estate goes through probate (when you use a *will*), the value of your estate, how you distributed the estate and to whom becomes part of the public record in the local courthouse. Anyone who wants, can find out exactly how a specific estate was divided and the amounts. By using a *trust*, probate and, therefore, the public record, is completely avoided and the privacy of the estate is protected.

A final benefit I will address is the time for an estate to be settled. With a *will* going through probate, it is common for the process to take twelve to eighteen months. In some cases, particularly with larger estates, it is not unusual for probate to last five to seven years! In contrast, with a *trust*, an estate can frequently be settled within ninety days. While this alone is probably not reason enough to justify a *trust* instead of a *will*, it does provide a nice perk.

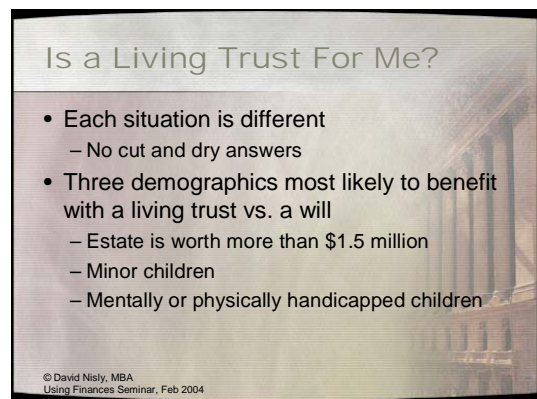
Trusts	Wills
<ul style="list-style-type: none"><li>• Separate entity</li><li>• More expensive</li><li>• Eliminates probate</li><li>• Greater control and flexibility</li><li>• Requires funding</li><li>• Privacy</li><li>• Quick settlement</li></ul>	<ul style="list-style-type: none"><li>• Less complicated</li><li>• Less expensive</li><li>• Requires probate</li><li>• Less flexibility</li><li>• Public information</li><li>• Settlement takes longer</li></ul>

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How do I know if which is best for me – a *will* or *trust*? The best answer to that question is that it all depends. In other words, there is not one right answer for every situation. For some people, a *will* provides everything they need to adequately disburse their estate. For others, a *trust* makes far more sense for their situation. It depends on your particular situation and unique needs. I do not think most individuals or couples can make the best determination for their situation without the counsel of an estate-planning attorney that can explain to you why you should choose one above the other.

I do think there are three demographics of people who will most likely benefit from a trust. However, this is only a simple indicator and not true in all cases. It is also likely that there are other people who do not fit in these three demographics that would also benefit.

1. An estate worth more than the federal exclusion amount (currently \$1,500,000).
2. Parent(s) with minor children.
3. Parents with mentally or physically handicapped child that requires special consideration.



## LIFE INSURANCE

The purpose of life insurance is to protect survivors from financial disaster when you die. Historically, Anabaptists have avoided life insurance and regarded it as unnecessary and unbiblical because it undermines our trust in God. It is also true that Anabaptists historically have been rural and agricultural – allowing for farms and property to be easily transferred from one generation to another, and provided a source of income upon unexpected and untimely death. Is life insurance for everyone? No. Is life insurance always wrong? No. I believe that there are times when life insurance may be important depending on the situation, but also many times when it may simply displace our trust in God. We must use careful discernment in deciding for ourselves.

There are three basic types of life insurance with many additional variations of these three. We will briefly look at these three types to gain a better understanding when you may be approached by a salesman or engaged in conversation about life insurance.

**Term insurance** is often compared to a “rent” analogy. The reason is that you pay a premium, but it has no cash value. Term insurance is very inexpensive at a young age, but increases every year, becoming very costly as you approach retirement age. Term insurance is attractive to young couples because it is so inexpensive and yet it provides that coverage for income loss if you die. Coverage ceases with term insurance when premiums cease to be paid, so as with the rent analogy, you never “own” the coverage or the policy is never paid in full.

**Whole-life insurance** is often compared to the "own" analogy as contrasted to “rent.” A whole life policy will build cash value over time. In fact, at some point the policy is considered “paid up,” and premium payments can cease and the face value of the policy is still in place. Some people refer to whole-life as insurance when you die, not if you die. The downside of whole-life insurance is the price. The premiums are substantially higher, but generally remain constant over the life of the policy. Most whole-life insurance policies can actually be cashed-in prior to your death. Upon reaching retirement age, most policies will allow you to start “spending down” you life insurance which means that as you withdraw money, the face value of the policy is reduced.

Life Insurance

- Term Insurance
  - Least expensive
  - No cash value
- Whole-life Insurance
  - Most expensive
  - Cash value builds
- Universal Life Insurance
  - Investment based

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**Universal life insurance** is similar to whole-life, except it adds an element of investment risk into the policy. Generally, premiums are lower than that of a whole-life policy, but those premiums are invested in stocks and/or bonds with the intent of earning enough additional money to offset the reduced premiums. However, as with any investment, risk increases at the same rate as potential return. Hence, if the investments aren’t performing as well as anticipated, the face value of the policy will either be reduced or premiums will be increased.

When it comes to determining whether life insurance is for you, it takes careful and honest discernment to balance between "trusting God" and "prudent planning." I personally believe motive and attitude are the most critical determinants into whether life insurance should even be considered. If life insurance is viewed or used as a means of building wealth, don’t buy it. The only way it should be considered is as a form of protection for your loved ones.

Do not make a hasty decision about purchasing life insurance. Don’t let an insurance salesperson pressure you into buying life insurance without taking time to process it and decide

whether you are doing the right thing or not. Give careful thought about whether this is a selfish or improper motive for wanting insurance, or is the Holy Spirit nudging you in that direction. Pray about it extensively before purchasing. Not just a day or a week, but give it some time. Seek counsel and input from you spouse. Discuss what alternate sources of income to cover all expenses. If your spouse has reservations about purchasing life insurance, don't do it. Discuss it with others from your church including your church leaders. Take their counsel seriously.

If you decide you will purchase life insurance, there are several things that you should consider before making a final decision. First of all, compare several insurance companies before making a decision. Check for financial stability and ratings by independent companies such as Moody's. In addition, compare pricing across companies.

Secondly, do not make a decision on life insurance based on a single sales pitch. An insurance salesperson will sound persuasive and convincing, but will unlikely answer all the questions you should ask them. By dialoguing with several companies and their sales people, different aspects and benefits are emphasized – educating you further and allowing you to ask additional questions as you go along.

Thirdly, decide for yourself what type of product will work for you in your situation. It is likely that you will have about as many answers to your situation as the number of people you

meet with. You need to determine whether term, whole-life, or universal insurance is best for you in your situation. Larry Burkett gives some very wise advice regarding purchasing life insurance. His philosophy is to consider buying term insurance, and then investing the difference in premiums between term and whole-life on your own. The purpose and intent of this strategy is to "self-insure" by the time you reach age 50 when term rates begin increasing astronomically. In this way, you are providing the coverage and protection without the insurance company. Don't determine what product you need based exclusively on the sales pitch – do some research yourself and make that determination in an educated and informed manner.

Along with determining the proper product, you should determine the amount of life insurance coverage that you need to protect your family. Again, do not assume the recommendation of the salesperson is automatically right. The primary intent and motivation of

Considerations

- Compare companies
  - Pricing
  - Financial stability and ratings
- Determine which product works for you
- Determine how much coverage you need
- Only insure the primary wage-earner
- Avoid add-on options

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the salesperson is not to make the best decision for you, but ultimately to sell you the most life insurance they can. Their figures and logic can make perfect sense while you are sitting there with them, but then when you sit down and start re-evaluating what was said and the logic, it is easy to see that you will come up with different numbers than they did. Don't allow yourself to be pressured into purchasing more coverage than you believe you need.

Another thing to consider is to only insure the primary wage-earner in your household. The purpose of life insurance is to protect your family from loss of income. Most agents will try to convince you that you need coverage for both spouses, and some will even recommend coverage for your children. The fact is that income will only be stopped when primary wage-earner dies.

Finally, a good insurance agent will probably try to sell you add-on options to your policy. While many of these likely appeal on an emotional level, they seldom add any real value to the existing policy, and simply add to the cost.

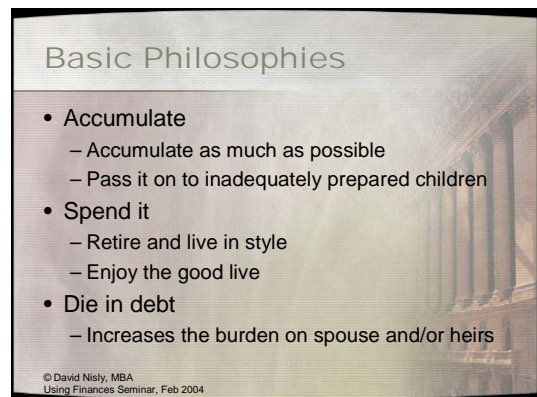
### **WHO SHOULD GET THE INHERITANCE?**

In general, there are three basic philosophies or approaches to this question today. Unfortunately, there does not seem to be a noticeable distinction between Christians and non-Christians in their approach to this question.

The first approach is to accumulate as much as wealth and possessions as possible while alive. There seems to be an enjoyment or fulfillment in accumulating more and more. Upon death, this "abundance" is passed on directly to the children – many times, inadequately prepared children, who, in turn, allow the sudden wealth to ruin them both materially and spiritually. These are the types of people who display the bumper sticker "He who dies with the most toys wins!"

The second approach is to accumulate, but upon retirement, spend as much as their accumulated wealth as possible before they die. These types of people take multiple luxury vacations and cruises.

They purchase vacation home(s) that they live in only several weeks out of the year. They engage in extended travel that may involve purchasing and living out of a recreational vehicle (RV) that costs more than the average American home. They spend their days on the golf course



or other form of recreation or hobby. They are the ones who proudly display the bumper sticker, “I am spending my children’s inheritance” on their RVs.

More recently, a third type of philosophy has emerged. An increasing percentage of Americans (Christians included) are actually dying in debt. They have actually spent more in their lifetime than they have ever earned. This trend sends an alarming message to those around them – it touts irresponsibility and lousy stewardship as acceptable behavior. In addition, there may be debts that must be satisfied even though there has been a death, creating hardship, not a blessing, on those they claim to love the most. How should a “Christian” respond if his parents conduct themselves in this fashion? How much responsibility should a Christian assume for unpaid debts even though there is no “legal” obligation to do so?

I don’t think it comes as a surprise to any of us that children are the most frequent heirs of inheritances in today’s culture. In Bible times and up until several hundred years ago, a child that did not receive an inheritance often ended up in extreme poverty and even slavery in some cultures. Therefore, an inheritance nearly became a necessity. It is also interesting that many of the most outspoken proponents that inheritances should pass on to their children and grandchildren because that is what the Bible teaches conveniently forget other dimensions of the inheritance taught in Scripture. They conveniently ignore that Scripture also teaches that only the sons should receive the inheritance. On top of that, the oldest son was entitled to a double portion of the inheritance.

Today, times are very different. Slavery is not a threat without our parents’ inheritance. Extreme poverty in this country is generally not related to a lack of inheritance so much as other factors – both controllable and uncontrollable. Generally today, the children who receive an inheritance are adults and financially independent. As such, the inheritance is simply a windfall of money! The average life expectancy also continues to increase from year to year – resulting in long delayed inheritances to subsequent generations.

In our generation, incredible amounts of wealth are being transferred to the future generations – more than most of can imagine! It is estimated, that in the next ten years alone, more than \$14 trillion (\$14,000,000,000,000) is expected to pass from the

Who Gets the Estate?

- Children
  - Taught in Scripture
  - Incredible wealth is being transferred in this generation
    - More than \$14,000,000,000,000 between now and 2015
  - Dynamics of the 21<sup>st</sup> century
    - Children are financially independent
    - Parents live longer
    - Inheritance is usually a windfall

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baby-boomers to subsequent generations. To put that in perspective a bit, that is the equivalent of \$14 million being passed on 1 million times. That is a tremendous amount of wealth that is being “given” to someone else in a short amount of time.

I have had to wonder what the Bible would teach or does teach believers to do with their inheritance in light of the incredible wealth in 21<sup>st</sup> century America? There are many principles on money taught in Scripture, however, it does not seem there is a clear answer to this question. I personally do not find any Scriptural support for the concept of passing on our inheritance to financially independent heirs in order to make them even wealthier. It seems far more consistent with Scriptural teaching that rather than passing on large amounts of wealth to our heirs, the recipients should be Christian charities such as churches, para-church organizations, and mission organizations.

A number of research studies have shown that individuals receiving large inheritances frequently end up in ruin – spiritual and/or financial. The question becomes one of discerning how much, if any, inheritance should be left to heirs without destroying them. This becomes an issue of wise stewardship – putting our money and possessions to the best possible use. Most parents leave their estates to their children – and it may be that this is the biggest mistake they make. I am not advocating the minor children not be taken care of first, but rather as children reach adulthood, the necessity of need diminishes substantially as they become financially independent.

Due to the longer lives, more people are giving larger portions of estates to grandchildren instead of, or in addition to, their children. While recently preparing our revocable living trust, our attorney mentioned that many people will leave a relatively small amount (i.e. \$5,000 or so) in a trust for their grandchildren that cannot be touched until the grandchildren are 65 years old. While the logic of this may not be clear initially, it makes good sense when you think about the time value of money and how that money will compound multiple times until they are ready for retirement. This gesture will contribute to their grandchildren’s retirement, but at the same time it will not be a windfall for them causing them to make improper decisions.

Who Gets the Estate?

- Grandchildren
  - Proverbs 13:22
  - Placing a nominal amount in a trust now will benefit them at retirement
- Charity
  - Wise investment in the future
  - Don't give without thorough research
  - Volunteer to help the organization

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Giving to a Christian charitable organization is a wise investment in the future. Instead of passing your wealth and assets along to your heirs who may indulge themselves, does it not make more sense to give a large percentage of your estate to a trustworthy charity that will use the funds to further its mission?

However, don't give to charitable organization recklessly or without proper research. Particularly when there are large amounts or significant portions of an estate given, conduct careful and thorough research and investigation of the organization to which you would like to contribute. Research the organization. Review the financial statements for overall financial stability and excessive overhead. See whether they are a member of ECFA (Evangelical Council for Financial Accountability). While this organization does not offer an opinion on an organization's stability, it is signal of voluntary compliance with ECFA's requirements for membership which includes an independent audit. One important question to ask and investigate with any charitable organization is how does the stated mission statement align with the organizations expenditures? Do they support each other? Another important consideration is whether there is oversight by an independent board of directors. A large proportion of closely related and/or employees of the organization may raise a red flag. What percentage of funds donated are actually used to further the mission of the organization?

Probably one of the best ways to learn to know an organization is to become involved. It would be wise to consider volunteering to work or help out with the organization for a period of time to get a better understanding of how they work and what they do before designating a large portion of your estate. Most organizations would welcome a contribution in the form of volunteer labor, and by being directly involved, you will gain more insight about the organization than any other way.

### **SHOULD I INTENTIONALLY LEAVE A LARGE ESTATE?**

What benefit is there to dying and leaving behind our large accumulation of wealth? What does that tell other people about our attitude of our possessions? Does it appear we really wanted to keep it all ourselves, but now that we are dead we are forced to distribute it. Why not start giving it away while we are still alive? Current tax law allows us to each give up to \$10,000 (\$20,000 for a couple) to as many people as we want every year exempt of the gift tax.

Why do we have the tendency to continue to accumulate as much as we can until after we die? We all know that we can't take it with us, so why do we continue to accumulate? Do we just want to hang on to them as long as we can for our own satisfaction and pleasure? Some people tend to think there is something noble about leaving behind a large estate. There comes a certain amount of notoriety from leaving a large amount of money to a charitable organization upon death. The newspaper editors and charitable organizations enjoy publicizing such an event, and express appreciation for their generosity. But is it really generosity? Genuine generosity is willingly giving something to another. If we hang onto all our possessions until death, that is really more a sign of greed than generosity. Upon death, there is no choice. It is not truly "giving" at that point, but rather forced distribution. Giving and generosity can only occur while we are alive and willingly decide to share before we die. Why don't we develop the practice of disbursing most of our possessions and money prior to our death as we age? By doing so, we reap many benefits. First of all, we receive the blessing of simply sharing and giving. We also can see firsthand how our gift is being utilized. We receive a benefit in seeing our money is being put to appropriate work while we are still alive. In addition, we have the benefit of making adjustments to our giving strategy as we observe how the funds are utilized, we also can make adjustments as time progresses based on the needs and other circumstances.

John Wesley died leaving an estate worth £28 not because of poor planning, but because of very careful planning. He purposely gave away almost all of his assets before his death, and consciously decided that he did not want to leave behind much when he died. As a result he died with very little to his name, but he had the joy of having given away everything while he was alive.

## CONCLUSION

A wise steward of God's resources has a responsibility prepare a will or trust prior to death. We should not be irresponsible – and permit the state decide what should be done with God's assets that He has entrusted to us.

Seek legal counsel to determine the best type of will or trust for your specific situation. This type of document is too important to put at risk by writing your document.

Use wisdom and discretion in seeking what is best from God's perspective:

- Consider giving away assets prior to death

- Consider the wisdom (or lack thereof) in giving your estate to your children and/or grandchildren
- Consider passing assets to a charity (church or mission organization) instead of all of it going to family members

We should be proactive in our stewardship – thinking about and planning ahead how we believe

God would have us manage the assets he has so graciously entrusted to us. We need to use the wisdom God has given us to make wise decisions about our estate and our loved ones.

In Summary

- Be a WISE & FAITHFUL steward
  - Don't let the State decide for you
  - Seek legal counsel to prepare an appropriate will or trust right for you
- Use wisdom and discretion
  - Consider giving away assets while still living
  - Consider prudence of leaving estate to children / grandchildren
  - Consider giving to a Christian charity

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