



# Personal Estate Planning Kit

## Lesson Book



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# SECTION ONE

## The Importance of Your Estate



### WHAT IS ESTATE PLANNING?

It may not be obvious, but the fruits of your labor and the things you cherish—a comfortable retirement plan, a beautiful home, treasured family heirlooms—make up your estate.

They are what you will leave behind for the people and places you love, and their orderly care during your lifetime represents financial management.

Their disposition after your lifetime is called estate settlement—and deciding in advance how this will be done is known as estate planning.

### Everyone Has an Estate

Look at the full extent of your assets. It's easy to focus on stocks, bonds and your bank account. But your possessions may include other assets that hold value—like your home, life insurance, retirement accounts and business investments.

Anyone who has possessions—property of any kind—needs a carefully organized estate plan. Obviously, the greater the value of your assets and the more diverse your wishes, the more important your need for a proactive plan to cut taxes and costs.

### Don't Forget About Your Digital Estate

You should think about your online legacy and your digital assets. These include social networking accounts, email accounts, online bank accounts and photo sharing accounts. Each asset may need to be managed differently, so it is important to make a guide outlining what happens with each one.

# Setting Your Estate Planning Goals

Now let's talk about your objectives. We'll start with a basic assumption: you would like to use your plan to leave a legacy that will protect loved ones and pass on your values. Beyond that, **who can estate planning help?**

## Estate Planning Helps:



### Yourself.

Smart estate planning involves a generous measure of financial management during your lifetime. As you grow older and your assets increase, you may want to lighten your own responsibilities while ensuring that, in the event of sickness or disability, your investments will be prudently managed and your financial obligations met. What's more, planning for the future needs of others can employ vehicles that offer you lifetime advantages, such as a living trust or a life income arrangement.



### Your family.

If you have a significant other you both should decide how your assets will be administered for the maximum advantage of the survivor.

If you have children, grandchildren or other relatives who are dependent on you, give serious thought to their financial needs and how your estate plan can support them. This includes factoring in their age, mental or physical disabilities and their competence level regarding financial management.



### Your philanthropic interests.

There's no better way to influence the future than through charitable gifts after your lifetime. Your generosity and foresight can be used to create a meaningful legacy reflective of what you value most.

Naturally you want your charitable goals to harmonize with the needs of your family. Their support and comfort come first. Surprisingly, careful planning can allow you to satisfy both family and charitable goals.

## Make Your Wishes Known

Open up the lines of communication about your estate to ensure that your family knows what your final wishes are, and how you envision your legacy. This can help prevent confusion over how best to honor your memory or how you would have wanted certain financial matters handled.

**TIP:** *If you have included support for a favorite charity in your plan, let them know, too. This will allow the organization to make sure your gift is used exactly as you intend.*

# Build Your Estate Planning Team

A well-crafted estate plan allows you to protect the people and causes you care about most. But how do you begin to assess all that you've worked for?

Luckily, you don't have to go it alone. There are many people ready to help.

Certain professionals offer skills that can help you create a comprehensive estate plan. Think of them as key players on your planning journey.

## **An estate planning attorney**

works with you to establish a plan for incapacity and your estate to protect you, your assets and your loved ones.

## **A certified public accountant**

who specializes in tax matters can analyze the tax impact of your estate plan.

## **A certified financial planner**

advises on a wide variety of topics, including retirement, education, investment, tax and charitable planning.

## **A trust officer**

has experience in administering trust, which is valuable in discussions of personal and investment aspects of fiduciary relationships.

## **A charitable gift planner**

represents a charity and can explain the array of gift plans available to meet your needs, save taxes and support the organization's goals.

## Know What You Own: Inventory Your Assets

After you've selected your team, you will need to create an inventory of your assets. Below is a sample of what a personal inventory might look like for a couple. It is divided to show assets each individual owns, as well as what they own together.

| Sample Estate Inventory                     |                  |                  |                  |
|---|------------------|------------------|------------------|
| Assets                                      | Person 1         | Person 2         | Joint            |
| Residence                                   |                  |                  | \$500,000        |
| Bank and money market accounts              | \$20,000         | \$10,000         | \$40,000         |
| Mutual funds                                | \$15,000         | \$10,000         |                  |
| Securities                                  |                  |                  | \$125,000        |
| Life insurance                              | \$250,000        | \$50,000         |                  |
| Automobiles                                 |                  |                  | \$60,000         |
| Furniture, jewelry and collectibles         |                  |                  | \$30,000         |
| Retirement plans<br>[401(k), 403(b) or IRA] | \$500,000        | \$250,000        |                  |
| <b>Total assets</b>                         | <b>\$785,000</b> | <b>\$320,000</b> | <b>\$755,000</b> |
| Liabilities                                 |                  |                  |                  |
| Mortgage on residence                       |                  |                  | \$250,000        |
| Automobile loans                            |                  |                  | \$30,000         |
| Other debts                                 | \$15,000         |                  |                  |
| <b>Total liabilities</b>                    | <b>\$15,000</b>  | <b>\$0</b>       | <b>\$280,000</b> |
| Assets less liabilities                     |                  |                  |                  |
| <b>Net worth</b>                            | <b>\$770,000</b> | <b>\$320,000</b> | <b>\$475,000</b> |



## TIP:

Go to page 12 of your *Personal Estate Planning Record Book* for an inventory template you can fill out as you gather your assets.



## Taking Action, Made Easy

Below is an abbreviated list of essential steps to take and items to have within your estate plan.

### Prepare: On Your Own

- Create an Estate Inventory:** estimate the value of what you own, including cash, property, vehicles, sentimental items and anything else that may hold value. Include any debts you may owe.
- Review beneficiary designations:** commonly found on retirement plan accounts, IRAs, life insurance and donor advised funds. Ensure there is a person or charitable organization designated to receive the funds held in these accounts.

### Create: With Assistance

- Your last will and testament and/or trust
- Power of attorney for finances
- Power of attorney for health care
- Living will/advance directive



### What Happens if I Don't Make a Will?

When you pass away without a will, the laws of your state determine what happens to your children, your pets and your assets. Don't let that happen to you and your loved ones!

# Quiz One

*Select the answer you believe is correct. You'll find the key below.*

- 1. One of the initial steps of every estate plan is to**
  - A. prepare a personal inventory.
  - B. draft a will.
  - C. store your documents in a safe place.
- 2. One component of estate planning is a**
  - A. mutual fund.
  - B. computer.
  - C. power of attorney.
- 3. Good estate planning involves**
  - A. only a will or trust.
  - B. owning sufficient assets.
  - C. financial management during your lifetime.

Answers:  
1. A; 2. C; 3. C

# SECTION TWO

## The Well-Designed Estate Plan

### ? WHAT CAN A WELL-DESIGNED PLAN DO FOR YOU?

- Preserve the value of your assets
- Reduce unnecessary taxes and expenses
- Ensure loved ones receive what you intended them to have
- Manage your assets for you and your loved ones in the event of disability or incapacity
- Protect your privacy

\* *A thoughtful estate plan can help you tell your story through the people and causes you support after your lifetime.*

### A good place to start is with these five essential estate planning documents:

#### 1. Your Will

This document details how you want your assets to be distributed upon your passing. It can also appoint a guardian for any dependents in your care and name an individual or entity to administer your estate.

#### 2. A Trust

A revocable living trust works in coordination with your will, and may help ensure more seamless management of your assets in the event you become incapacitated. It can also help ensure your estate plan is kept private and potentially avoid your state's probate process. For more information, see page 13 of this book.

#### 3. Power of Attorney for Finances

This ensures someone you trust will have legal authority to take care of financial matters if you cannot. The tasks may range from paying bills to filing taxes.

#### 4. Power of Attorney for Health Care

Also known as a health care proxy, this document names one or more individuals who can make decisions on your behalf if you are incapacitated.

#### 5. Living Will/Advance Directive

A living will directs your doctor to withhold or withdraw life-prolonging interventions if you are terminally ill or permanently unconscious.

### ? What Is Probate?

Probate is intended to protect and direct the distribution of property according to your will. But not all of your assets go through probate. Most life insurance and retirement plans, assets you own jointly with rights of survivorship and assets owned by a revocable living trust avoid the probate process.

# A Step by Step Guide to Creating Your Will

## STEP 1

### Decide Who Gets What—And How

Once you have completed your estate inventory in Section One, you now have a better idea of your assets, how they are titled and your net worth. It's time to start thinking about how these assets will be distributed after your lifetime.

## STEP 2

### Choose Your Executor or Personal Representative

An indispensable part of the estate planning process is choosing who will be the executor of your estate (also known as the personal representative).

This is a decision you should start thinking about early in your planning. Will your executor be able to do the job properly? What is their knowledge of estate settlement, finance and investments, taxes and record keeping? What about the availability and health of the individual? Plus, do you know if your choice of executor will be impartial when dealing with your beneficiaries?

If you plan to name a bank or trust institution to serve as executor, visit that organization and talk with their officers before you make your decision.

## STEP 3

### Choose a Guardian

If you have minor children, name a guardian of each child and each child's property (a custodian) in case your spouse or partner doesn't qualify or doesn't survive you. Otherwise, the court may appoint someone you might not have selected.

## Executor Duties:

- Petitions the court to open probate and to admit the will
- Notifies all beneficiaries and/or heirs of the administration of the will
- Notifies all creditors that probate is in process
- Collects the deceased's assets and lists them in an inventory
- Seeks court approval to sell assets to pay off any estate debts
- Determines and pays claims against the estate
- Pays federal and state taxes
- Distributes the estate's net assets, according to the court's order, to the will's beneficiaries, or heirs if there is no will
- Closes the estate

## STEP 4

### Finalize Your Will

Wills can be contested, so the process of signing the document is important. Most states require at least two witnesses, and both must be present (although a few states now allow for remote witnessing) when you finalize your will. The witnesses, however, do not need to know the contents of the document.

Many states allow the addition of a self-proving affidavit to a will. This document is notarized at the time of signing. Ultimately, the affidavit can be offered to the court for proof that the will was signed properly. If no one objects, the affidavit will avoid the necessity of bringing one or more of the witnesses before the court after your passing to testify as to the signing.

Generally, a will that was validly made in one state should be updated if that person moves to another state. A newly revised will establishes your new legal residence, provides local witnesses, establishes your executor's qualifications to serve in the new state and includes provisions facilitating settlement under the laws of the new state.

### Good to Know

Be careful to store important papers where they are safe as well as reasonably accessible.

Don't put your will in a bank's safe-deposit box, as it may be hard for your executor or personal representative to access immediately after your passing.

## The Importance of Your Will

### Your will serves as the cornerstone to your estate plan.

Having a clear understanding of what you want your will to accomplish helps create focused goals that align with your personal wishes. Ask yourself: What type of legacy do I wish to leave?

If you have your own family, you may decide to leave everything to them. You may also choose to leave most of your estate to your family and have any remaining funds go to other loved ones or a charity of your choice.

It is often recommended to leave your beneficiaries a percentage of your overall estate rather than a certain dollar amount. Your estate will likely fluctuate in value from the time you put your will in place, until the time you pass away.

**TIP:** *Always revisit your decisions every several years, or upon a significant life event, to make sure the beneficiaries, and the amounts you choose, are in line with your current wishes.*

# The Expedited Estate Plan: Assets That Pass Outside of Your Will

Wills and trusts are only one part of the framework that dictates how your assets will be distributed after your lifetime. The other important components are beneficiary designations and asset titling.

Both can be used to support loved ones, or even go to a charitable organization to create a lasting impact. And they can do it quickly because they are not required to go through the probate process.

Make sure you know who your assets are going to after your lifetime. They are an opportunity to provide for someone or something you love.

## Coordinate Beneficiary Designations Into Your Estate Plan

Beneficiary designations are common with life insurance, pensions, IRAs, donor advised funds, 401(k) and 403(b) plans. When you name a beneficiary on these accounts, the accounts are distributed directly to the beneficiary after your lifetime.

Naming a loved one or a favorite nonprofit as a beneficiary of a life insurance policy or retirement plan assets is a heartfelt way to make a lasting impact.

Make sure to notify your beneficiaries of the choices you've made. Many banks or plan administrators assume no responsibility to tell people and charities they have been named to receive a gift. Informing loved ones and loved causes helps ensure your beneficiaries are able to follow your wishes.

**\* Most experts agree:** *The preferred method to ensure your beneficiaries receive the proportions you desire is to divide your estate according to percentages of the residue (rather than specifying dollar amounts).*



## Updating Your Beneficiary Designations

1

Request a copy of the change-of-beneficiary form from your provider (or download a copy from their website).

2

Fill out the form, naming loved ones or charitable organizations, along with the percentage you'd like each beneficiary to receive, on the form.

3

Sign and return the form to your plan administrator, insurance company or sponsoring organization. Be sure to keep a copy for your records as well.

# Quiz Two

Select the answer you believe is correct. You'll find the key below.

- 1. Witnesses to a will must be present**
  - A. when the testator decides on its terms.
  - B. when it is signed.
  - C. only when requested by an attorney.
- 2. When a person moves to another state,**
  - A. his or her will is invalidated.
  - B. a new will must be executed.
  - C. a revised will is advisable.
- 3. If a person passes away without a will,**
  - A. probate is simplified.
  - B. all assets become state property.
  - C. state law determines how the estate will be divided.

Answers:  
1. B; 2. C; 3. C

## Coordinate Property Ownership Into Your Estate Plan

Having a will or a living trust in place is a great start to a comprehensive estate plan. However, it is also important to make sure that all of your assets are titled in a manner that will ultimately accomplish your estate planning objectives and transfer to the proper beneficiary.

**Here are the most common forms of ownership:**

### Sole ownership

occurs when an asset is titled solely in one individual's name. The asset becomes part of the owner's probate estate after the owner's lifetime and will be distributed according to the terms of the individual's will or trust. If there is no will, then according to the intestacy laws of the state where the owner resided.

### Jointly owned property

with rights of survivorship generally goes to the surviving joint owner, regardless of what the will states.

### Tenants-in-common

is also a form of joint ownership where two or more individuals own the property. The main difference is that one half of the property will follow the provisions in your will; therefore, your beneficiary will become the new co-owner after your lifetime with your original tenant-in-common.

### Community property

is also a form of co-ownership, but is applicable only between spouses. Some states allow married couples to take title in this manner. When property is held this way, each spouse owns a half interest in the asset.

**TIP:** *Have a list of all of your property and exactly how you hold title to each asset, as this will directly affect how your property is distributed after your lifetime. Automatic rules governing survivorship will control how property is distributed, regardless of what is stated in your will or living trust.*

# SECTION THREE

## Why Trusts Matter—And When You Need Them



### WHAT'S A TRUST?

A trust is an agreement by which a person appoints someone to carry out specific or generalized services of financial management.

You can put most assets into a trust: cash, stocks, bonds, money market securities and real estate are all options. There is no minimum size for a trust except what is practical for your purposes.

**You can set up a trust for anyone for almost any reason. Here are some typical trust arrangements:**



#### To Care for Your Needs

You might decide to create a trust for your own benefit—a trust that will remain operative while you are living—known as a **living trust**. The person who administers the trust is called the trustee. You can serve as trustee or you can have another person or entity serve in that role. The trustee manages the assets. You reserve the right to amend or revoke the trust and add or withdraw assets. The trust can continue during incapacity and after your lifetime for the benefit of your family or others, and the trust assets avoid the costs and delays of probate.



#### To Benefit Others

You can create a trust in your will that does not go into effect until after your lifetime—known as a **testamentary trust**—for the benefit of your spouse or partner, your children or others you select. With this type of trust, you direct the trustee to pay the income and principal to or for the benefit of the people you name.

Many testamentary trusts are created to benefit loved ones. For example, the trust directs that after both parents have passed away, the trust will continue for the support of their children until the children attain a certain age. The trust period then ends and the trustee distributes the remaining principal to the beneficiaries.



#### To Create a Charitable Legacy

There are many different types of **irrevocable trusts**. One common example is a charitable trust. You can learn more about charitable trusts in Section Four.

Unlike revocable trusts, assets in an irrevocable trust can't be removed or amended after they've been placed in the trust. Since you've relinquished control of assets placed in an irrevocable trust, they are effectively removed from your estate, thereby minimizing possible estate taxes.

## Trusts: Revocable vs. Irrevocable

### REVOCABLE:

#### You can...

- Modify them
- Provide for ongoing financial management
- Avoid probate and protect your privacy

vs

### IRREVOCABLE:

#### You can...

- Reduce or eliminate estate taxes
- Protect assets from creditors
- Often build in some flexibility into the trust document

### How a Trust Gives Protection

If you create a trust, you may do it to protect the trust beneficiary, preserve the trust assets or both.

If you make yourself the initial income beneficiary of a living trust, more than likely you do so because you want to provide for future needs. For example, if you are busy, travel a lot or become incapacitated, you would like the trustee to act in your best interest on investment matters and perhaps even to pay your bills. After your lifetime, you may want to have the trust income or principal flow directly to family and avoid the costs, delays and publicity of probate.

If you prefer, you can arrange to have your trust become operative only after your lifetime and for any number of purposes.

Whatever your motivation may be, the bottom line remains the same. Trusts are an excellent tool to provide for loved ones or loved charities.

### Naming Your Trustee

Deciding who will properly carry out the terms and duties of your trust is important. The task often involves long-term management because a trust may span several generations.

Knowledge of investments and taxes, sympathetic concern, record-keeping ability and a strong moral compass and sense of reliability are all critical qualities for a trustee to possess.

Many people choose to name themselves to act as the initial trustee of their own trust and name a loved one to act as successor.

Or you may want to choose a corporate trustee—a bank or trust institution with officers specially trained in trust management. They can serve as a co-trustee with you or on their own.

**TIP:** *Keep in mind, a trust might not exist forever. It can last up to a date you specify in the trust document or until a particular event occurs—the date a child reaches a particular age, for instance, or when the amount in the trust is too small to administer.*

# A Trust to Support Special Needs

Crafting an estate plan carries an extra concern when you have a spouse, child or parent with special needs who depends on you.

You can provide for the person now, but what happens after your lifetime? To make sure your loved one's needs are met, you should take special precautions.

## Going Beyond Government Funds

A significant source of support for your disabled dependent may be the health benefits from Medicaid plus a monthly payment through Social Security's Supplemental Security Income program. However, if your dependent earns even a modest amount—much less acquiring an inheritance—the benefits may be cut off.

If you leave some or all of your estate to your dependent, or provide them with a permanent source of income, government support may stop until those funds are spent down. Luckily, there is a way to prevent this.

## A Safe Solution

A supplemental needs trust, sometimes referred to as a special needs trust, will preserve your loved one's eligibility for federal and state benefits by keeping assets out of their name. The trust does this by earmarking all assets for expenses other than basic support. There are attorneys who specialize in supplemental needs trusts and can provide planning services to help you create this important tool.

### Did You Know?

If a specific charitable organization has played a pivotal role in the care of your loved one, a meaningful way to honor that organization is by designating the remainder of the supplemental needs trust to go toward supporting it.



## Using Funds to Improve Your Loved One's Life

A supplemental needs trust can reach around government aid limits in many ways.

It can pay for necessities like a home health aide or a new wheelchair.

And it can help maintain your loved one's lifestyle, giving them resources to enjoy hobbies and pursue new interests.

### IN SHORT:

Trusts provide peace of mind for you and a high standard of care for those you love.

# Quiz Three

*Select the answer you believe is correct. You'll find the key below.*

- 1. A charitable trust is a type of**
  - A. revocable living trust.
  - B. supplemental needs trust.
  - C. irrevocable trust.
- 2. A trust can be funded with**
  - A. cash.
  - B. securities.
  - C. almost any asset.
- 3. Someone who oversees and manages the trust is called the**
  - A. executor.
  - B. trustee.
  - C. beneficiary.

Answers:  
1. C; 2. C; 3. B

## Protect Your Pets

You would never go a day without feeding your cat or leave on vacation without making arrangements for your dog. But have you ever thought about the fate of your beloved pets if something unexpected were to happen to you?

Thankfully, all states recognize pet trusts as a valid part of your estate plan. In the event of your disability or after your lifetime, you can provide for your pets by establishing a pet trust—an increasingly popular way to ensure the long-term health and happiness of your faithful companions.

When you create such a trust, you will name someone as the physical caregiver, as well as someone to manage the trust's money. At the end of your pet's life, the trust will terminate and the balance of the trust funds can be distributed to your loved ones or a favorite charitable organization.



### Who Will Care for Your Pet if You Become Disabled?

A pet trust will become effective should you become disabled to the point where you cannot care for your pet. Your designated caregiver can care for your pet under the provisions in your trust. This type of trust would require funding now so that a caregiver would have access to the trust funds should a disability occur during your lifetime. If you never face disability, the trust becomes effective after your lifetime.

# SECTION FOUR

## Use Your Plan to Change the World

### Creating Your Legacy

One of the most meaningful things you can do with your plan is use it to create your personal legacy. This legacy represents your most cherished values, and your desire to see those values supported far into the future.

A legacy gift, also known as a planned gift, is a way to provide for the places you love, just like your plan provides for the people you love.

When you create this type of gift, you have the opportunity to either **restrict** its use—that is, specify how the funds are used—or keep the gift **unrestricted**, allowing it to be used for an organization’s most pressing needs.

You also have the chance to pay **tribute** to someone special in your life by making your gift in honor or in memory of someone close to your heart. Finally, for substantially sized planned gifts, you have the option to **endow** your gift. This requires the charitable organization to hold the funds permanently and use only the annual investment income or a small percentage of the total fund each year. In this manner, your gift will continue in perpetuity.

Regardless of how you choose to structure your planned gift, you can rest easy knowing that today you are empowering what you love to continue onward tomorrow.

### It Only Takes One Sentence

If you make a gift in your will to support a beloved charity, here is sample language your attorney could use when making an unrestricted gift:

*“I give to [legal name and address of charitable organization] [dollar amount, percentage of residuary estate or description of property] to be used as determined by its governing board.”*

# Easy Gifts

## Gifts in a Will or Trust

A gift in a will or trust, otherwise known as a bequest, make up the vast majority of all planned gifts and it's easy to see why: they are simple to create, flexible in their terms and cost you nothing today.

Creating a gift in your will can be accomplished in as little as one sentence. But this small act can make a huge future impact on the nonprofit you support.

## Beneficiary Designations

You can name a charitable organization as a beneficiary of your IRA or other retirement plans, life insurance policies, donor advised funds or commercial annuities.

Start by requesting a change-of-beneficiary form from your policy administrator or download the form from your provider's website. Make your desired changes and return the form to establish your gift.

## A Gift From Your IRA

If you are 70 1/2 or older, consider making a tax-free gift from your IRA to an organization. By giving directly from your IRA, you can make an impact today, and also benefit from not being required to pay income taxes on the gift. If you are required to take minimum distributions, your gift can satisfy all or part of that obligation.

## Donor Advised Funds

A donor advised fund is like a charitable savings account. You transfer cash, appreciated securities or other assets into your fund. In return, you qualify for an income tax deduction, and, if you donate appreciated assets, you may eliminate capital gains tax.

You can then recommend grants (or recurring grants) to charities.

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# Gifts That Pay You

## Charitable Gift Annuity

You can support your favorite charitable organization and secure dependable income in your retirement years: with a charitable gift annuity (CGA).

You transfer cash or appreciated assets to fund the CGA. In return, you, and another person if you choose, receive fixed, secure payments for life. After all beneficiaries have passed away, the balance remaining is used to support the charity you established the gift annuity with.

If you itemize, you may take a charitable deduction for part of the value of your gift. A portion of each gift annuity payment may also be income tax-free throughout your life expectancy. As an added benefit, if you fund your CGA with appreciated assets you have held longer than one year, you can minimize capital gains taxes.

If you do not need payments now, you can also create a deferred CGA. You make a gift now but the charity agrees to pay you a set income for life, starting at a date of your choosing in the future.

## Charitable Remainder Trust

If you have built a sizable estate and also are looking for ways to receive reliable payments, consider a charitable remainder trust. This type of trust provides you or other named individuals income each year for life or a period not exceeding 20 years from assets you give to the trust you create. At the end of the trust term, the balance in the trust goes to one or more charitable organizations.

These types of gifts may offer you a variety of tax benefits and the options for either fixed or variable income.

# + More Ways to Give

## Appreciated Securities

Securities and mutual funds that have increased in value and been held for more than one year are popular assets to use when making a gift to a charitable organization. Making a gift of securities or mutual funds offers you the chance to support their work while realizing important benefits for yourself.

When you donate appreciated securities or mutual funds in support of an organization's mission, you can reduce or even eliminate federal capital gains taxes on the transfer. You may also be entitled to a federal income tax charitable deduction, when you itemize.

## Real Estate

There are many ways you can use your home, farm or business property to further your charitable legacy. The most popular ways you can give real estate is through an outright gift or a gift in your will or trust.

Depending on how you decide to make your gift, you may qualify for a federal income tax charitable deduction and you may minimize or eliminate capital gains tax. And, if you make your gift during your lifetime, you no longer have to deal with that property's maintenance costs, property taxes or insurance.

## Charitable Lead Trust

If you want to make an impact now to your favorite charitable organization and also provide for your family later, consider setting up a charitable lead trust.

You transfer cash or other assets to a trust that makes payments to the charity for a period of time. When the term is up, the remaining trust assets pass to your family or other beneficiaries you select.

This strategy is most frequently used by the charitably inclined for estate or gift tax planning purposes. It can potentially provide benefits such as an income tax deductions or estate or gift tax savings on assets ultimately passed to the individuals designated as remainder beneficiaries.

# Quiz Four

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*Select the answer you believe is correct. You'll find the key below.*

- 1. A gift in your will is**
  - A. heavily taxable.
  - B. the most popular type of planned gift.
  - C. pays you for life.
- 2. A donor advised fund is designed to**
  - A. simplify your giving.
  - B. reduce taxes.
  - C. simplify your giving and reduce taxes.
- 3. You can get a current income tax charitable deduction for your home if you**
  - A. make an outright gift to a charitable organization.
  - B. will it to the IRS.
  - C. move out now.

Answers:  
1. B; 2. C; 3. A

**California residents: Annuities are subject to regulation by the State of California. Payments under such agreements, however, are not protected or otherwise guaranteed by any government agency or the California Life and Health Insurance Guarantee Association.** Oklahoma residents: A charitable gift annuity is not regulated by the Oklahoma Insurance Department and is not protected by a guaranty association affiliated with the Oklahoma Insurance Department. **South Dakota residents: Charitable gift annuities are not regulated by and are not under the jurisdiction of the South Dakota Division of Insurance.**

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