



ESTATE PLANNING

A BIBLICAL PERSPECTIVE

"Put your house in order, because you are going to die..."
Isaiah 38:1

As shown in the above scripture, the Bible can be very clear about certain areas of planning! This shows that it is important for you to think through the issues first and then make sure everything is in order. The Bible also has many stories of how wealth was handed down from one generation to the next.

Although it is usual for a Will to provide for the surviving spouse, scripture also gives instruction regarding children and grandchildren, clearly stating that parents should leave an inheritance to their children. However, with this comes great responsibility, as inheritances can destroy the lives of those who inherit them and subdue the lives of those who are expecting them. The manner in which you leave your estate – money, possessions and legacy – will have a significant impact on your heirs. Besides distributing your assets, an Estate Plan can be used to communicate values and beliefs. What would you wish to communicate?

The inheritance you leave to your heirs is not only material but also social and spiritual. If you plan to leave significant wealth to your children, try to ensure that you also spend time instilling the wisdom you have learned regarding how to handle such wealth. In other words, it is good to plan to leave a legacy of wealth and wisdom.

It is also important to remember throughout the process that all of your wealth and belongings are God given and that the starting point (and ongoing) should be to seek His guidance and wisdom in how your estate should be distributed and what proportion should be allocated to promoting the Kingdom.

"Wisdom, like an inheritance, is a good thing and benefits those who see the sun. Wisdom is a shelter as money is a shelter, but the advantage of knowledge is this: that wisdom preserves the life of its possessor."
Ecclesiastes 7:11-12

ESTATE PLANNING – SUMMARY ‘TO DO’ LIST

To be used as a reference guide once you have read through the narrative in its entirety.

Prayerfully consider how to allocate your resources (pages 4-5 sections A-D)

1. Meet with Trinity to discuss your thoughts and work through the Estate Planning Questionnaire.
2. Discuss your intentions with your spouse, children etc. as you feel appropriate.
3. Consider lifetime gifts.
4. Consider life assurance (page 4 section C/ page 8 section D).
5. Consider post-death liquidity (page 6 section F).
6. Consider who to appoint as executors and, if applicable trustees, addressing ease of management and the administration of your estate issues in your decision (page 5 section E).
7. Consider Other Questions (pages 7-8).
8. Meet with Trinity and/or a solicitor to discuss your thoughts and address any potential issues.
9. Discuss your intentions and wishes at a family conference, including executors and trustees, stating each individual's roles and responsibilities as applicable. Trinity can be a part of this if necessary (page 5 section E).
10. Implement the recommendations, including making a Will and any Trusts that are required and completing the necessary legal paperwork. All this should be done through a recommended / appropriate solicitor.
11. Review ongoing.

ESTATE PLANNING - INTRODUCTION

Unless You Plan the Distribution of Your Estate, Someone Else Will.

Around one third of the population have not written an up-to-date Will, let alone a complete Estate Plan. In the event of your death, no-one is allowed to decide what happens to your assets after your death – except you and the government. If you have not left a Will, plan and appropriate instructions, then the government - the Public Guardianship Office (PGO) - will act for you (The Law of Intestacy). Please refer to the glossary for full details of Intestacy.

The Effects of Lack of Planning:

- Unfortunately, the government's objectives in distributing an estate rarely match the objectives of the deceased.
- Guardians and special needs for children may be appointed and decided by the state.
- The estate will often pay much more tax than is necessary.
- The estate will often pay more in the way of professional fees than is necessary.
- People, churches and good causes that may have enjoyed benefits will not do so. For example, the Kingdom may not receive the resources that you desire.
- There is often inadequate liquidity in the estate to meet immediate liabilities, thus forcing the sale of assets.
- Forced sale of assets may lead to poor value being obtained, or even the loss of assets which would otherwise have been retained in the estate.
- An opportunity to pass on wisdom, as well as wealth, may be missed.

Definition

Estate Planning is planning ahead so that, in the event of your death, your family is cared for, your resources are distributed in accordance with your objectives, God's will and the tax paid is minimised.

ESTATE PLANNING - OBJECTIVES

There are various objectives you may wish to accomplish in establishing an Estate Plan.

a) Distribution of Your Financial Resources

There are 4 main classes of beneficiary:

1. Churches, Christian organisations & good causes.
2. Family and friends.
3. HMRC taxes.
4. Professional expenses.

The challenge is to decide on your priorities – because if you spend unnecessarily in taxes or expenses, it reduces the amount you could give away, for example. Trinity would encourage you and your spouse to spend time with God in deciding what amounts or percentages should go to each of these areas. If you can do this, it enables your financial planner to draft the plan accordingly.

b) Giving to God's Work and Charities

1. From a Biblical perspective, everything belongs to the Lord (Deuteronomy 10:14) and the first question to ask therefore is how much does He want you to give to the kingdom?
2. What do you have a heart for? Consider how a financial gift on your demise could make a positive impact in this area.
3. If you have given to charity and church during your life it makes sense to continue this after your death.
4. Unless you plan for giving to charity through your Estate Plan, it will not happen.
5. You have to decide how much you wish to leave to God's work and your other beneficiaries as there is an obvious trade-off between the two.
6. This could be very tax efficient giving.

c) Providing for Your Spouse

- Your spouse is likely to require:
 - to remain in the family home;
 - use of other joint assets (e.g. car);
 - an income stream to replace yours or to pay for childcare, housekeeping costs;
 - access to investments and cash to provide additional income, meet liabilities etc.
- Your spouse may also require life assurance to:
 - pay for liabilities e.g. education costs;
 - meet funeral costs;
 - provide liquidity;
 - provide an income.
- If any of your financial decisions have been made by you alone, your spouse may require assistance in dealing with these after your death.

Estate Planning Objectives (continued)

d) Providing for Your Children

*“Children should not have to save up for their parents but parents for their children.”
2 Corinthians 12:14*

- Whilst they are young, the children need legal guardians to be appointed.
- Any special physical, emotional, or mental needs must be met and adjusted as the children grow up.
- There is a fine line between *providing* for children and *over-protecting* them. It is right to provide for our families but not to the extent that they have no opportunity to (trust God and) provide for themselves in their own lives.
- Many children and young adults have their lives ruined by over-indulgent parents who have left everything to them without considering the effect.
- Parents should respect differences in their children – due to age, temperament and their ability to deal with money.
- It is the parents’ (and grandparents’) responsibility to entrust (God’s) resources to children who have been trained in handling those resources, and who have demonstrated an ability to do so.

We suggest that you seek to leave wisdom as well as wealth to your children. This is by teaching them how to handle money, bequeathing your values and principles and the lessons you have learnt. This is also by providing them with a model to emulate.

“The almighty dollar bequeathed to a child is an almighty curse. No man has the right to handicap his son with such a burden as great wealth. He must face this question squarely: will my fortune be safe with my boy and will my boy be safe with my fortune?” Andrew Carnegie

e) Providing for Ease of Management and Administration of Your Estate

- In addition to the trauma of losing a loved one, there is often an increased burden placed on the surviving spouse, children or sibling. This is not just the taking-over of finances, but also the responsibility of handling proceeds from insurances, dealing with HMRC and professional advisors.
- However, if an executor is appointed outside the family then there is the risk of the family losing control.
- It is usually best to name the spouse and a close family member or friend as executor and trustee. They can then call in professional help as needed.
- Professional executors such as solicitors or banks bring expertise but can be expensive.
- All parties to the Estate Plan should review it together so that their responsibilities can be clearly outlined, explained and agreed.
- Trinity recommends that the person(s) setting up the plan call some form of family conference so that they can articulate clearly their desires and values to all concerned. This should be done whilst there is opportunity, that being preferable to an estate being distributed with no prior understanding of the deceased’s wishes.

Estate Planning Objectives (continued)

f) Providing Estate Liquidity

- Liquidity provides flexibility. Flexibility is often needed to provide for the transition period immediately after one's death until assets can be transferred, re-assigned and released.
- Liquidity avoids the need to sell assets at a point when it may be economically unfavourable.
- Liquidity is needed to pay taxes, if any are due.
- Liquidity makes it far easier to distribute an estate among several beneficiaries.

g) Providing a Testimony

- A Will and an Estate Plan can provide a public record of your faith and commitments, not just by what you write down but also through what your Estate Plan actually delivers.

h) Providing for Future Financial Planning Flexibility

- Circumstances and desires change over time, so very little of an Estate Plan will be written in concrete. However, with a larger estate there are certain irrevocable decisions, such as gifts to charities or concerning property ownership or Gifts to Trust, which you may wish to make without compromising other financial objectives.
- The problem is that we do not know when we will die so we need to make sure we have at least a basic Will in place.

OTHER QUESTIONS TO CONSIDER

As you address the various Estate Planning objectives, you will need to think long-term, and deal with some difficult questions concerning areas such as distribution of your assets, tax planning and the degree of authority to be given to third parties.

a) Charitable Consideration

- Legacies to charities are a highly effective way of reducing Inheritance Tax (and indeed Capital Gains Tax).
- To which charities do you wish to leave your assets?
- Do you wish to leave the capital and assets and/or an income stream?
- Would you like to leave the assets to charity outright or in trust?
- Would you consider setting up your own charity or would you rather use a clearing trust like Trinity Ministries or Stewardship?
- There are 3 ways of setting up a charity:
 1. This can be done now by you dealing directly with the Charities Commission.
 2. This can be done by your beneficiaries as it is written within your Will.
 3. This can be set up by a solicitor either now or written into your Will.

b) Concerning Your Spouse

- Is your spouse able to implement the Estate Plan or will they benefit from the involvement of a trustee or executor?
- What will their needs be? Will existing sources of income suffice or will they need to liquidate some of the capital?
- What do you want to happen to debt? Would you like to leave your spouse debt-free? If not, how will the debt be paid?
- How much discretion do you wish to give your spouse over the distribution of assets?

c) Concerning Your Children

- How much do you wish to leave to your children?
- When do you wish to distribute assets to your children?
- Do you wish to place any restrictions on the use of assets for their benefit (e.g. for education or health)?
- Do you plan to have any more children? Would further planning need to take place for them?
- What about your children's children? Do you wish to place any stipulations on assets that may pass to grandchildren?

Other Questions to Consider (continued)

d) Insurance

- Will the survivor/dependants have enough available cash to continue their present lifestyle if insurance proceeds are held up in probate?
- What is the impact on the survivor's estate if insurance proceeds are paid directly to the estate?
- Is there need for a Joint Life Last Survivor insurance policy with which to meet immediate Inheritance Tax liabilities?
- Should any insurance be written in trust rather than being paid direct to the policyholder?
- Could a survivor manage the receipt of a large lump sum coming to them in these circumstances or would they need the assistance of professional management?

Note: setting up life assurance policies should always be done carefully and in ways which complement your Estate Plan. Trinity can assist with this and is regulated to do so.

e) Other Considerations

- Have you considered a Lasting Power of Attorney (LPA)?
- Who would you wish to handle your affairs after your death? Are they appointed in your Will?
- What about other members of your family? Do you wish to provide for them?
- Have you named a contingent beneficiary in case your entire immediate family died simultaneously?
- If Trusts are to be set up who will be your Trustees?
- How much involvement do you wish your professional advisers (solicitors, accountants, financial planners) to have? This may bring peace of mind but there will also be costs involved.

Trinity's Role

- To establish a comprehensive Net Worth Statement (Assets).
- To look at your goals and planning options.
- To answer any questions you have.
- To work with you to help you consider:
 - initially consider how much to allocate to God's kingdom;
 - to verbalise your values, teaching your heirs to be productive and not consumptive;
 - consider passing on *some* of your assets in your lifetime to assist with this training process;
 - passing an entire estate to one's children may not be wise in all cases;
 - holding a *family conference* to explain your thoughts on the matter – this can act as a training tool for the next generation as well as promoting family harmony and talking through any potential issues
 - to review the situation and meet to discuss the final recommendations;
 - implement final decision using any professionals and/or products required;
 - agree next review.

What the Bible Says

Scriptural Insights on Estate Planning

“For a man may do his work with wisdom, knowledge and skill, and then he must leave all he owns to someone who has not worked for it. This too is meaningless and a great misfortune.”

Ecclesiastes 2:21

“Put your house in order, because you are going to die...” ***Isaiah 38:1***

“Children should not have to save up for their parents but parents for their children.”

2 Corinthians 12:14

“It is good for a man to bear the yoke while he is young.” ***Lamentations 3:27***

“I hated all the things I had toiled for under the sun, because I must leave them to the one who comes after me.” ***Ecclesiastes 2:18***

“Wisdom, like an inheritance, is a good thing and benefits those who see the sun. Wisdom is a shelter as money is a shelter, but the advantage of knowledge is this: that wisdom preserves the life of its possessor.” ***Ecclesiastes 7:11-12***

“Their tombs will remain their houses for ever, their dwellings for endless generations, though they had named lands after themselves.” ***Psalms 49:11***

“A good man leaves an inheritance for his children’s children, but a sinner’s wealth is stored up for the righteous.” ***Proverbs 13:22***

“If a man curses his father or mother, his lamp will be snuffed out in pitch darkness.” ***Proverbs 20:20***

“Wealth is worthless in the day of wrath, but righteousness delivers from death.” ***Proverbs 11:4***

“Train a child in the way he should go, and when he is old he will not turn from it.” ***Proverbs 22:6***

“Everyone comes naked from their mother’s womb, and as everyone comes, so they depart. They take nothing from their toil that they can carry in their hands.” ***Ecclesiastes 5:15***