THE CATHOLIC FOUNDATION

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THE Good Plan

First Steps: *Estate Planning* FOUNDATIONS

Early in the movie version of J.R.R. Tolkien's *The Lord of the Rings*, the faithful hobbit Samwise Gamgee declares that if he takes one more step, he will be the furthest from home that he has ever been. That step marked the beginning of his epic role in an extraordinary adventure.

Although estate planning is certainly not an epic adventure, many of us feel we are very far away from home—choosing trustees, designating bequests, naming executors—when we begin the planning process. While estate planning may be outside your comfort zone, the fact is most estate plans are easy to establish, uncomplicated to implement, and simple to amend and change. Indeed, the most important decision you'll make in planning is to take the first step and get the process underway.

Appropriately, this inaugural issue of *The Good Plan* explores estate planning foundations: a will and/or revocable living trust, a living will, and a commitment to periodic reviews. We also examine the reasons why you should have a plan in place, along with the role charitable giving can play in realizing planning goals. Additional information about estate and will planning entitled ***Steps to an Effective Will or Living Trust***, may be found on the Foundation's website, www.catholicfoundation.com.

The Catholic Foundation Legacy Circle *honors individuals and families that have made long term commitments to the Foundation. Over 200 donors are part of The Legacy Circle and have aligned their charitable vision with that of the Foundation. We are deeply grateful for their trust and that shared commitment.*

Planning is for EVERYONE

Estate planning presents unique opportunities and planning possibilities to everyone. It's important not to make the mistake of thinking that estate planning is only for the Warren Buffetts of the world. Remember, the fundamental purpose of an estate plan is to arrange the orderly and intentional disposition of your personal assets. Everyone benefits from this kind of planning.

The foundation for an estate plan is a will and/or revocable living trust. If you do not have a will or living trust, the intestacy laws of your state determine the distribution of your assets according to a fixed, statutory formula. So, if you intend to make the final decisions regarding what and how you leave your assets to others, including charitable organizations, you must have a plan in place.

WHY HAVE A WILL?

A will is a unique legal document that must meet specific state requirements to be valid. That is why everyone should enlist the help of an attorney in preparing a will. A will is a "living document" until the estate owner dies—meaning that it can be changed, amended, or updated at any time. However, when an estate owner dies, the last will and testament is final and becomes the controlling document that instructs how and to whom assets are distributed. From a purely legal standpoint, a will performs a valuable function; however, a will can also be a highly personal document that reflects opinions, values, desires, and appreciation of others.

THREE REASONS WHY EVERYONE SHOULD HAVE A WILL

Peace of mind—There is much to be said for the peace of mind that accompanies a well thought-out will. You are assured that your assets will be distributed on your terms in a thoughtful way. You can provide for special needs or considerations for your loved ones. Your will provides you with an opportunity to make certain that critical decisions are made by you—not the state, the court, or a relative you may hardly know.

Clarity of intent—A will also provides clear documentation of your intentions. Your will is a legally enforceable document used by the court to control the disposition of your assets. It is an ideal way to make certain your wishes are known and ultimately fulfilled.

Service to others—Your will can also be viewed as a thoughtful gift to your family and friends. Because your decisions are documented, you relieve loved ones of the heavy, complex, and often difficult job of determining how you would have wanted estate assets to be distributed.

A REVOCABLE LIVING TRUST: WHERE DOES IT FIT?

Like a will, a revocable living trust is a tool for managing the disposition of assets. It is revocable and can be changed as long as the estate owner is alive. At death, however, the trust becomes irrevocable. (It can also be set up to be irrevocable in the event of incapacity). Like a will, a revocable living trust can provide peace of mind and clarity of intent, and can be a considerate way to facilitate estate settlement. A major difference between a will and a revocable living trust in planning has to do with probate.

The probate process—When an estate owner dies with a valid will in place, the court accepts the will and probate begins—which simply means that the administration of estate settlement and the process of disposing of assets gets underway. Since court proceedings are a matter of public record, every will is available for public inspection.

By contrast, a properly drawn, legal revocable living trust is not subject to probate, which means estate

administration is private. Privacy is the principal reason why estate owners choose a revocable living trust instead of a will as the foundation for estate planning.

A personal decision—There are advantages and potential disadvantages to wills and revocable living trusts. When compared to a will, a revocable living trust is generally expensive to set up and complex to administer. If you are thinking about creating a living trust as the foundation of your estate plan, you and your advisor(s) should consider personal needs and wishes to determine the best way to proceed. Some planners use only a will, and others prefer a revocable living trust. Many use both. From an estate planning perspective, the best choice is to meet with your advisor(s) and get the planning process underway.

THE PURPOSE OF A LIVING WILL

Another useful tool in estate planning is a living will, a document that is totally separate and distinct from a testamentary will and a revocable living trust. A living will (sometimes called an advance directive) specifies your instructions regarding medical treatment and life-prolonging measures should you become incapacitated and unable to make decisions for yourself.

A living will is typically accompanied by a medical power of attorney that identifies who can make the necessary health care decisions on your behalf. This combination of a living will and health care power of attorney provides essential information designed to ensure that your wishes are fulfilled. End-of-life health issues can be complex, controversial, and emotionally draining. Your loved ones, care givers, and advisors all benefit when you carefully consider this possibility and provide clear instructions regarding your personal wishes.

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Comparison: Will vs. Revocable Living Trust

WILL	REVOCABLE LIVING TRUST
Advantages	
1) Traditional and familiar. 2) Generally less expensive than a living trust. 3) Allows for the appointment of a guardian for dependent children. 4) No need to re-title assets during life.	1) Allows for holding and control of the asset in the trust even after death. 2) May avoid probate. 3) Not a public document, so it provides privacy in the distribution of the assets. 4) Takes effect during the lifetime of the maker. 5) May provide for an agent to act if the maker is incapacitated. 6) More difficult to contest than a will. 7) Can provide for pets.
Disadvantages	
1) Wills are public documents once filed with probate court. 2) No control over assets after distribution to heirs. 3) Wills can easily be, and often are, contested. 4) Does not hold an asset for beneficiaries.	1) More expensive to create and may have costs to maintain. 2) Requires continued actions by the individual making the trust (called the "grantor") to monitor the trust and transfer new assets into the trust. 3) Does not provide for the appointment of a guardian for minor children. 4) Grantor must identify subsequent trustees to act after the grantor's death.
Who is involved?	
1) Individual making the will (called the testator). 2) Attorney.	1) Individual making the trust (called the "grantor"). 2) Attorney. 3) Subsequent trustees.

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THE NEXT STEP

A will, a revocable living trust, and a living will are widely recognized estate planning tools. However, there is no ready-made, one-size-fits-all plan. If you do not have a will or living trust, the first step is to meet with your advisor(s) to get the planning process started. You'll benefit from the help of a professional who can steer you toward good planning decisions that meet your personal goals and adhere to the legal requirements in your state.

Once your estate plan is in place, it is very important to review the plan periodically. It may be prudent to make changes in your will or revocable living trust if there are changes in your goals or finances. In addition, family changes…unexpected needs of family members…may provide another good reason to re-visit your estate plan.

Remembering The CATHOLIC FOUNDATION in Your Will or Living Trust

The wording of a bequest in a will or gift through a living trust depends on the individual estate plan and what an estate owner wants to accomplish. You could:

- leave a particular asset to The Catholic Foundation (example: 100 shares of ACME stock).
- give a set amount of money (example: $10,000).
- designate that The Catholic Foundation receive either a percentage or all of what is left in your estate after provisions for loved ones have been met.
- state that certain property from your estate will go to us in the event that a beneficiary does not want the property.

If you are considering making a gift to the Foundation through your will or living trust, be sure to use our exact legal name: **The Catholic Foundation**. Your gift may be used to create a named charitable endowment fund at the Foundation to support organizations or areas of interest that are important to you or it may be distributed to the Foundation's Unrestricted Endowment Fund that is used to support the current needs within the Diocese of Dallas. And if you have included us, please let us know of your intention. We always enjoy the opportunity to thank our donors and to learn more about the motivation behind your thoughtful gift.

Charitable Giving: Leaving a Legacy

As you prepare your estate plan, remember to consider the personal legacy you create when you make a charitable gift. Naming The Catholic Foundation in your will or revocable living trust is an ideal way to leave a legacy that will make a statement and support our work. If you would like more information about ways to support The Catholic Foundation, contact us by phone or email. Be sure to review our helpful brochure, ***Steps to an Effective Will or Living Trust***, which can be found on our website at www.catholicfoundation.com.

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The Good Plan

The Good Plan is published to provide helpful information about gift and charitable planning. Any questions or comments should be sent to:

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THE CATHOLIC FOUNDATION

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The Catholic Foundation promotes compassionate charitable giving and stewardship that serves donors and the needs of our community.

To discuss your planned giving, please call 972-661-9792 or email us today at info@catholicfoundation.com.

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Steps to an Effective Will or Living Trust

Building Your Legacy

Consciously or unconsciously, we are all building a legacy. In time, we will be remembered by friends and family members for the things we do, the causes or organizations we support, and the special ways our lives intersect with others.

A carefully considered estate plan can be an important part of your personal legacy—a benefit to you and to those you care about. As a part of your estate plan, a will or living trust can reflect your life values as well as your concern for loved ones, and still be a legally sound tool that will efficiently distribute your estate. Certainly, your will or living trust should be more than splitting your estate among your beneficiaries. It should be practical, carefully planned, and sensitive.

Whether your will or living trust is simple or complex, you can make it more effective if you consider the following key components of effective estate planning.

Make the Decision to Act Now

If you do not have a will or living trust, or if your existing plans have not been reviewed in the past few years, perhaps you should plan to visit your attorney.

Procrastination is probably the major reason why so many Americans die without leaving a sound plan in place. And the results are often tragic: loss of control over distribution of valued assets, unnecessarily higher taxes, and other extraneous costs. Don't let this happen to you. Decide to act now!

Determine Your Real Objectives

Deciding how to dispose of an estate requires careful thought and specific action.

A husband may think, "I want to leave my entire estate to my wife." Upon reflection, however, he may realize that his wife may not want to be burdened with everything they own, but instead his real objective is to provide lifetime financial security for his wife.

Think in terms of your real objectives, leaving aside the means of accomplishing them. Write down everything you would like to provide through your will or living trust.

- Complete financial security for a spouse or an elder dependent
- Financial assistance to children or an educational fund for grandchildren
- A gift to a best friend
- Leaving a piece of jewelry to your daughter, or a coin collection to your son
- A charitable gift to fund an important program to help shape our future

Take time to think about contingencies that could affect your planning. For example, what happens if a beneficiary predeceases you? Or if you and a beneficiary die in a common disaster? Your attorney can help you answer such questions.

Make an Inventory of All Your Assets

A detailed inventory of all your assets is an essential step in planning an effective will or living trust. Be sure to include everything in your estate inventory: life insurance, retirement benefits, jointly owned property, etc., even though these assets may not pass under your will or trust.

Consult with Your Attorney

Talk with your attorney and get legal advice about how to best accomplish your objectives.

Your attorney may recommend making lifetime gifts, leaving bequests in your will, or creating trusts that can benefit several persons or institutions. There are many techniques you can use to accomplish your specific objectives.

Here are some important thoughts to share with your attorney:

- **Can a trust add to the effectiveness of your estate plan?** A trust can permit you to provide an income or other benefits for another person or group of persons while allowing the trustee to retain final control over the disposition of trust assets.

- **Should you name contingent beneficiaries?** It is generally advisable to name a second beneficiary to take a bequest in the event the primary beneficiary predeceases you.
- **Should you make lifetime gifts?** In certain cases, lifetime gifts can carry out your objectives more effectively than bequests or gifts through a trust. Lifetime gifts can also minimize probate costs, and estate and/or inheritance taxes.

This is the time to make specific decisions about gifts that you may wish to make. If your plans include a charitable gift to us, we will be happy to assist you so that you achieve the best result—in both personal satisfaction and tax savings.

Have Your Attorney Draft Your Documents

Once you have come this far, rely on your attorney to draft a document that will carry out your objectives effectively and economically. It is the attorney's obligation to be sure your will or living trust complies with state law and that all your directions are clearly expressed and legally enforceable.

Your attorney may include specific powers for your executor or trustee, special provisions for the payment of taxes, costs and debts, and other provisions essential for a truly effective plan.

Make Periodic Reviews

Your will or living trust is much like a photograph. It reflects your objectives only at the time it was established. It does not adjust automatically to reflect changes in the size of your estate, changes in the needs of your beneficiaries, or changes in the tax laws.

In short, keep your will or living trust current. Take the time every year to review it. Equally important, ask your attorney to help you keep up-to-date with our ever-changing tax laws and to help you take advantage of the latest estate planning techniques.

More about the Revocable Living Trust

There are two basic methods you can use to direct the disposition of your estate at death:

- Your will can direct the disposition of probate assets, with separate dispositions made for non-probate assets; or,
- You can create a revocable living trust to control the disposition of your assets.

There are advantages and disadvantages of each method. The revocable living trust, as the name implies, is a trust you create during life that can be changed or revoked at any time. In the trust agreement, you set forth exactly how trust property is to be disposed of at death, very much like a will.

At the outset, you transfer properties to the trust. You can reserve the right to receive all the trust income. You can also change the trust, remove property from the trust, or cancel the entire arrangement at any time. You can even serve as trustee—with a substitute trustee taking over the responsibility in the event of death or disability.

What will the revocable living trust accomplish that makes it worth your effort?

First, it could avoid probate costs since assets transferred into the trust during your lifetime are usually not subject to probate.

Second, the revocable living trust can avoid delays that are typical in the settlement of an estate. Income and principal of the trust can be made available to your beneficiaries immediately.

Third, the trust can be the cornerstone of a comprehensive estate plan. During your life, you can name the trust as beneficiary of your life insurance and retirement death benefits. You also can direct in your will that certain assets be distributed to the trust at your death. The end result: the trust can receive practically all your assets.

Fourth, because the trust is a private document, your estate plan does not necessarily become public knowledge as it does with a will.

What are the disadvantages of the revocable living trust? Well, it may be more expensive to set up compared to a will. And there is a good deal of work to be done to transfer assets into the trust and manage those assets during your lifetime.

Still, you may want to consider the revocable living trust, especially if you have decided that trusts can be helpful to your beneficiaries or if you have substantial estate assets that may need professional management.

CHECKLIST FOR AN EFFECTIVE ESTATE PLAN:
SOME IMPORTANT QUESTIONS

- ☐ Have you coordinated your life insurance and retirement plan beneficiary designations with your will?
- ☐ Have you considered employing a revocable living trust to hold all your assets, minimize probate costs, and provide privacy for your estate plan?
- ☐ Have you arranged your affairs to provide an immediate source of income for beneficiaries who may need money right away?
- ☐ Have you included a charitable bequest in your will to meet your philanthropic goals?
- ☐ Have you designed your estate to minimize estate and/or inheritance taxes?
- ☐ Have you considered lifetime gifts as an effective means of distributing a portion of your estate ahead of time?

If you would like more information about how charitable intentions can enhance estate planning, feel free to contact us. There is no cost or obligation.

Executors and Trustees: Some Things You Should Know

Preparing your will and/or living trust is a prudent and thoughtful step in estate planning. Your heirs and loved ones benefit from the foresight you show, and you benefit from the peace of mind that comes with knowing there is a plan in place to carry out your personal wishes.

One key element in your planning is deciding who will administer or manage the fulfillment of your plan. In your will, this person is identified as the executor. And if you establish a living trust, this person (or institution) is the trustee.

Your Executor

The executor named in your will is charged with winding up the affairs of your estate and carrying out your wishes as specified in your will. This includes working with the court during the probate process, paying bills and taking care of outstanding debt, attending to tax forms and payments, identifying and notifying beneficiaries and heirs, meeting legal requirements, distributing assets, and ultimately closing out your estate. Generally, demands on the executor increase in proportion to the size and complexity of the estate being settled.

Your Trustee

A trustee is responsible for managing trust property in accordance with the terms of the trust. The trustee can be an individual or an institution, such as a bank or trust company. Duties include keeping records, completing and filing tax forms, making investment decisions, and distributing assets. A trustee is legally bound to act in the best interest of a trust's beneficiary or beneficiaries.

Qualities to Look for

Here are four qualities to look for when selecting an executor or trustee:

Trustworthy: This quality tops the list for a reason—the success of your plan and the ultimate well-being of your beneficiaries depend on the trustworthiness of your executor and/or trustee.

Qualified: Your executor and/or trustee should be qualified for the role. If your estate is large and complex, an executor or trustee needs to have the time and possess the expertise to carry out your plan. In many cases, investment knowledge and financial acumen is very important.

Dependable: The executor or trustee has specific duties to complete within an identifiable time frame. You need to be able to depend on this individual or institution to stay on the job until your plans are completed.

Willing: Of course, an executor or trustee must be willing to serve. Be sure to secure your executor's or trustee's agreement to fill this important role.

Your attorney or financial advisor can help you consider and select a qualified executor or trustee.

A Back-up Plan

Here is an additional point to consider regarding executors and trustees. It is wise to have a back-up plan. In your will, name a back-up executor who can step in if the executor you've designated is unable to assume the role. For a living trust, you can name a successor trustee—again, a person or institution that will fulfill the trustee's role if the named trustee is unable to do so.

REMINDER: BE AWARE OF CHANGING TAX LAWS

The political climate in Washington D.C. has been less than agreeable in recent years. One result of this acrimony is that laws which affect individual taxpayers can unexpectedly change. At times these changes appear at the last minute, and, occasionally, the changes appear long after the deadline Congress originally set. Be aware that the tax law can change, and be ready to revise your plan accordingly with the help of your tax advisors.

Take the Next Step

Setting up your will or living tr ust is more than wise planning—it is an impor tant opportunity to provide for loved ones in a way that is most meaningful to you and them. As mentioned before, the key is to act now. Take the next step to contact your advisors to cr eate or update your will or living tr ust. And please let us know if we can be of help as you consider a gift to suppor t our work. As always, we appreciate your thoughtfulness.

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