



# Hope for a Better World



A Creative Estate Planning Newsletter for friends of Ananda

## Estate Planning Options

The beginning of a new year is a great time to begin, or review, your estate planning options. When planning the use and disposition of what we may have spent a lifetime accumulating - our estate - we need to consider all the options available to us.

For many people, estate planning usually brings to mind the following:

**1. Making a Will** - This is a good first step, because a valid and carefully planned will is the basis of an estate plan. Drafting a will is not an end unto itself, but only one step in a process - simply one of several tools you can choose to achieve a particular objective.

**2. The Property They Own** - Many people consider how their property will help them maintain a certain lifestyle during their retirement years, and what might be left as an inheritance for their family members and friends.

**3. The People** - These are the children, brothers and sisters, close friends, favorite charities who they want to benefit from the residual of their estate.

**4. Who Will Carry Out Their Wishes** when they are gone? In a will there is always a provision for what is called an executor. This is the person who will carry out what you have stated in your will, so thought needs to be put into who will be willing and able to do this for you.

### **Probate - The Process through which a Will is "Proven" to be yours**

A will is necessary as it can leave property to loved ones after your death. But a will also "triggers" probate, the legal process by which the will is "proven" to be yours, written according to the laws of the state in which you reside at the time of your death, and makes sure that your debts will be paid.

*"Probate is a political toll gate, exacting tolls from widows and children,"* was the way former attorney general Robert F. Kennedy described probate. Considering that the average cost of probate across the U.S. is between 3% to 8% of the gross value of the estate, his comparison is painfully accurate. Probate can be expensive - and unnecessary when the same objectives can be achieved with just a little more planning and forethought.

Probate can also be time consuming. Because so many other people - officials of the court, an executor, appraisers - and so much paper work - title changes, proof of payments, newspaper notices - are involved, many months can pass before beneficiaries receive their inheritances. If the value of the property is volatile - such as stocks, bonds, mutual fund shares, real estate - this can become a serious problem. (In the state of California, any estate valued at \$100,000 and above must go through the probate process.)

### **Avoiding Probate**

It is possible to legally avoid the expense and delay of probate by using a Living Trust. On side two of this newsletter be sure to read the section on **A Step Beyond - The Living Revocable Trust**, which describes some of the benefits of doing this.



# Charitable Alternatives

**A bequest in your will to your favorite charities** is an excellent way to let your estate plan reflect your values and ideals, which are often reflected by your charitable interests. Many charities are now placing such gifts into their endowment fund so that these thoughtful gifts "keep on giving." However, an alternative, such as a charitable gift annuity (offered by the Janaka Foundation to those living in California), can accomplish the same objective and double, in some instances, the tax savings for the donor.

**For example:** a \$10,000 bequest to your favorite charity receives an estate tax deduction for the full value of the bequest. A \$10,000 charitable gift annuity, which is created during your lifetime, receives an estate tax deduction for the value of the annuity interest and an income tax deduction in the year the annuity was created for the gift value of the annuity. If the gift annuity is funded with appreciated securities, a portion of the long-term capital gains tax will also be avoided.

**Another Example:** John and Karen Smith identify \$100,000 of assets in their living trust to fund a charitable remainder trust upon the death of the survivor, naming their two children as the income beneficiaries for a term of years (up to 20 years). After the term of years is over, the remaining principle within the trust will be divided equally between their three favorite charities. Their estate will receive a deduction for the value of the charities' right to receive the principal remaining in the trust.

**A Step Beyond - The Living Revocable Trust**  
Living revocable trusts solve many problems of owning property, but *the primary reason people choose to use a living trust is because it avoids the costs and delays of probate.*

**To determine whether you should have a Living Trust** you can make the following calculation. Choose a percentage between 3% and 8%, multiply that amount times the estimated gross value of your estate, and then call an estate planning attorney for an estimate of what it would cost to create and fund a living trust. Compare the two figures and then make your decision based on savings and value received for the price.

One way or another there will be a cost to pass your estate to your heirs. You can decide whether you want to "front end" this expense during your lifetime or let your estate - and ultimately your heirs - bear this expense at your death.

That is why creating a trust is regarded as a "step beyond" the ordinary. Choosing the use of a trust to pass on your estate requires forethought, planning and action. It will require reading so that you understand what you are doing, time to inventory your assets, and, when necessary, time to change ownership of property so that the trust is properly funded. *But the benefits are worth it.*

## **For Further Information:**

If you would like to learn more about charitable gift planning, ask for our complimentary brochures, *A Guide to Planning Your Will* and/or *Planning for the Future*. Simply return the enclosed card, or phone or email us:

Janaka Foundation office: 530-478-7695

Email: [parvati@janakafoundation.org](mailto:parvati@janakafoundation.org)

We look forward to hearing from you.



**The Janaka Foundation - Building Ananda's Legacy of Light.**

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This newsletter has been written by qualified specialists in financial planning and offers explanations of current techniques in easy-to-understand language. Through charitable gift planning, you can help us to prepare for our future of helping others. The information provided is general in nature. Each reader should consult his or her own counselors in applying the principles provided here.