

# INTRODUCTION

## A BIBLICAL PERSPECTIVE

It is our privilege to assist you in developing a personal financial strategy that can provide a framework for your future. Effective planning can bring more balance to your life, allowing you to focus more of your time, energy and resources on eternal purposes.

Experience has taught us that today's financial decisions have lifetime implications. The longer range your perspective, the better your decision making capability. Financial planning can help free you from economic fear and bondage as well as enable *you* to become a more effective steward of your God-given resources.

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“Stewardship is the use of God-given resources for the accomplishment of God-given goals.”

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*Ron Blue*

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*"Trust in the Lord with all your heart and lean not on your own understanding; in all your ways acknowledge Him and He will make your paths straight." PROVERBS 3: 5 - 6*

# FIVE KEY PRINCIPLES OF FINANCIAL PLANNING

The Bible provides specific principles regarding money management that work-regardless of the current economic climate.

1. Understand that God owns it all. PSALM 24:1
  - We are simply managers of His resources
  - God can take whatever He wants, whenever He wants
  - Every spending decision is a spiritual decision
  - Stewardship cannot be faked
  
2. Set long-term written financial goals. PROVERBS 16:9
  
3. Spend less than you earn. PROVERBS 13:11
  
4. Avoid the use of debt. PROVERBS 22:7
  
5. Avoid a consumptive lifestyle. ECCLESIASTES 5:10

## SCRIPTURAL INSIGHTS ON FINANCIAL PLANNING

"The earth is the Lord's, and everything in it, the world, and all who live in it."  
PSALM 24:1

"In his heart a man plans his course, but the Lord determines his steps."  
PROVERBS 16:9

"Dishonest money dwindles away, but he who gathers money little by little makes it grow."  
PROVERBS 13:11

"The rich rule over the poor, and the borrower is a servant to the lender."  
PROVERBS 22:7

"He who loves money will not be satisfied with money, nor he who loves abundance with its income. This too is vanity."  
ECCLESIASTES 5:10

"In the wilderness He fed you manna which your fathers did not know, that He might humble you and that He might test you, to do good for you in the end. Otherwise, you may say in your heart, 'My power and the strength of my hand made me this wealth.' But you shall remember the LORD your God, for it is He who is giving you the power to make wealth, that He may confirm His covenant which He swore to your fathers, as it is this day."  
DEUTERONOMY 8:16-18

"For the Lord loves justice, and does not forsake His godly ones; they are preserved forever; but the descendants of the wicked will be cut off. The righteous will inherit the land, and dwell in it forever. Mark the blameless man, and behold the upright; for the man of peace will have posterity. But transgressors will be altogether destroyed; the posterity of the wicked will be cut off."  
PSALM 37:28-29, 37-38

"For he sees that even wise men die; the stupid and the senseless alike perish, and leave their wealth to others. Their inner thought is that their houses are forever; and their dwelling places to all generations; they have called their lands after their own names. But man in his pomp will not endure; he is like the beasts that perish. Do not be afraid when a man becomes rich, when the glory of his house is increased; for when he dies he will carry nothing away; his glory will not descend after him. Though while he lives he congratulates himself—and though men praise you when you do well for yourself—he shall go to the generation of his fathers; they shall never see the light. Man in his pomp, yet without understanding, is like the beasts that perish."  
PSALM 49:10-12, 16-20

# SCRIPTURAL INSIGHTS ON FINANCIAL PLANNING

*Continued*

"The rich and the poor have a common bond, the LORD is the maker of them all."

PROVERBS 22:2

"If therefore you have not been faithful in the use of unrighteous mammon, who will entrust the true riches to you? And if you have not been faithful in the use of that which is another's, who will give you that which is your own? No servant can serve two masters; for either he will hate the one, and love the other, or else he will hold to one, and despise the other. You cannot serve God and mammon."

LUKE 16:11-13

"...while we look not at the things which are seen, but at the things which are not seen; for the things which are seen are temporal, but the things which are not seen are eternal."

II CORINTHIANS 4:18

"Not that I speak from want; for I have learned to be content in whatever circumstances I am. I know how to get along with humble means, and I also know how to live in prosperity; in any and every circumstance I have learned the secret of being filled and going hungry, both of having abundance and suffering need. I can do all things through Him who strengthens me."

PHILIPPIANS 4: 11-13

"Instruct those who are rich in this present world not to be conceited or to fix their hope on the uncertainty of riches, but on God, who richly supplies us with all things to enjoy. Instruct them to do good, to be generous and ready to share, storing up for themselves the treasure of a good foundation for the future, so that they may take hold of that which is life indeed."

I TIMOTHY 6:17-19

# GOALS

## A BIBLICAL PERSPECTIVE

Goal setting can be challenging. First, start with prayer. Spend time alone with God to find out what He wants you to do or accomplish in the future. Then, record your goals by writing them down in clearly defined and measurable terms.

Goals are based on faith and following God's leading, not on past accomplishments or current resources. Acknowledge that He may want to do a "new thing" in your life (Isaiah 43:19) and that He can "do exceedingly abundantly beyond all that we ask or think." (Ephesians 3:20)

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"Aim at nothing and you'll hit it every time."

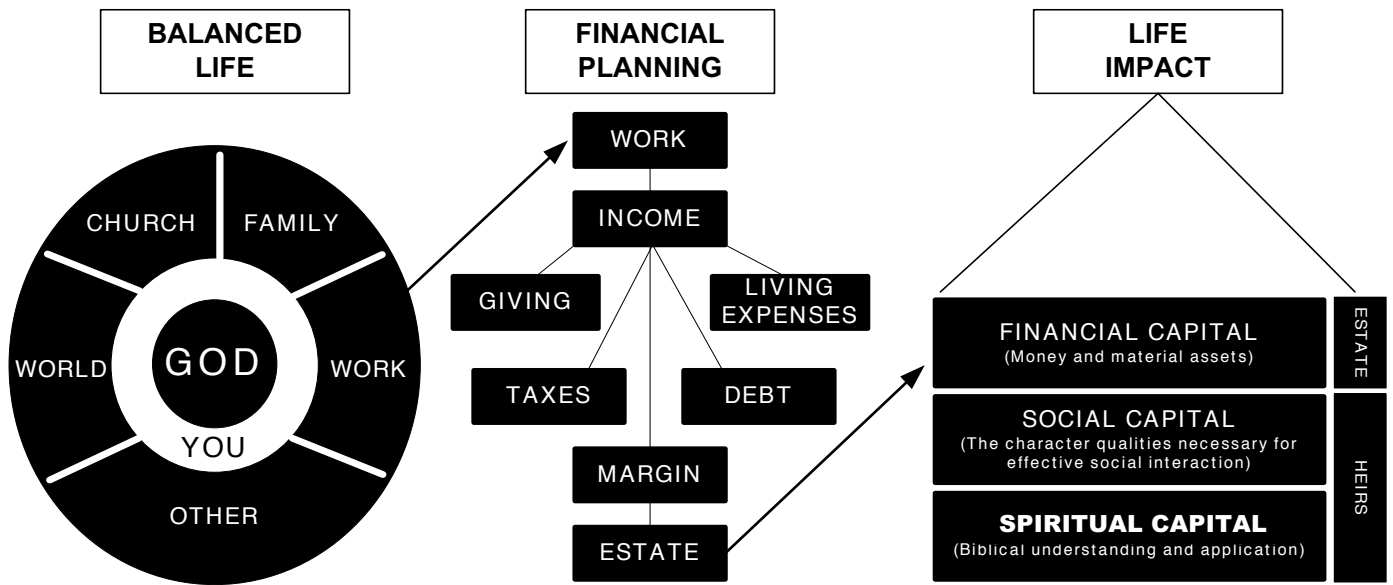
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*"The mind of a man plans his way, but the Lord directs his steps."* PROVERBS 16:9

# LIFE OVERVIEW



## THE BALANCED LIFE

Our challenge is to maintain balance in the various areas of life. Often we get out of balance in our vocation, striving to produce more wealth (financial capital) to pass on in our estate and to our heirs.

## FINANCIAL PLANNING

Financial planning allows us to step back and assess our God-given goals and priorities, ultimately managing our finances in a manner that relieves financial pressure and provides peace of mind.

## LIFE IMPACT

By balancing our lives through financial planning, we are able to "buy" time to develop social and spiritual capital in our heirs.

# GOALS

## WHY SET GOALS?

- Goals provide purpose and direction
- Goals help translate your thoughts into tangible steps
- Goals provide personal motivation
- Goals can help clarify God's will, especially in times of crisis

## OVERCOMING BARRIERS TO SETTING GOALS

What goal-setting barriers, if any, are standing in your way (lack of time, fear of failure, tendency to be overwhelmed with details, lack of self-discipline, etc.)? Write them here and ask God to show you how to overcome them through Him.

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## PREPARING FOR GOAL SETTING

The following page provides a more detailed version of the financial planning portion of the Life Overview. A series of questions is included at the page bottom to aid in setting short and long-term goals. After thinking about these questions you'll be more equipped to set accurate and realistic goals.

## GETTING STARTED

1. Pick a specific date and place where you can spend uninterrupted time alone with God. Commit to it here.

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2. During this time read Scripture and pray, allowing God to speak to you. Record your ideas, impressions, and desires here.

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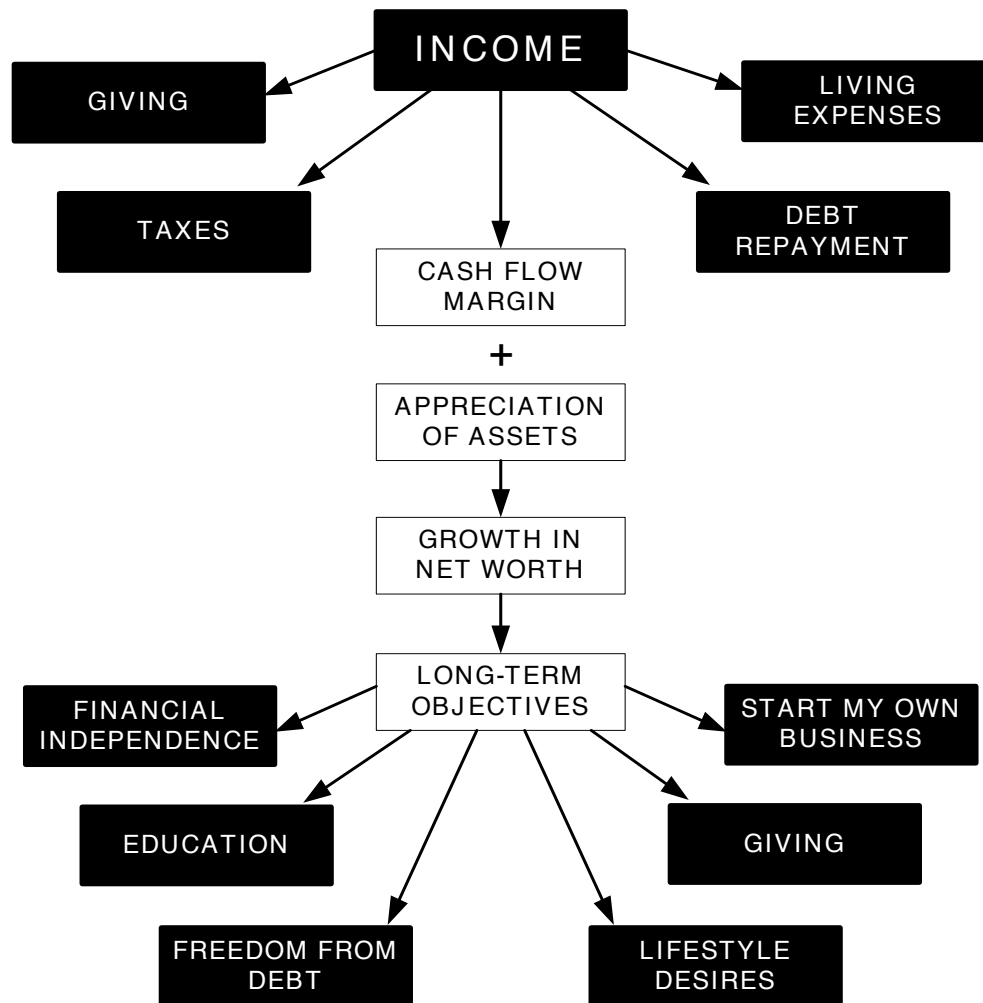
3. Identify your perceived strengths, gifts and abilities. Record them here.

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# FINANCIAL PLANNING FLOW CHART



## GOALS CHECK-UP

### SHORT-TERM

- Do I have peace of mind with my financial decision making?
- What am I most concerned about in the next six to twelve months?
- What am I most concerned about in the next one to five years?
- Am I comfortable with my level of charitable giving?
- Am I paying too much in taxes?
- Are my living expenses too high or too low?

### LONG-TERM

- What am I most concerned about in the long term?
- Are there some potential financial events that cause me fear?
- Am I comfortable with my debt level?
- Am I making progress towards my goals?
- Should I reposition my investment portfolio?



# GOALS

*Continued*

4. Consolidate your ideas and thoughts into several broad, "big picture" goals that are measurable, realistic, challenging and specific. (Example: Payoff mortgage loan by November 2010, increase giving to 15% of income in 2 years.)

Goal #1 \_\_\_\_\_

Goal #2 \_\_\_\_\_

Goal #3 \_\_\_\_\_

Goal #4 \_\_\_\_\_

Goal #5 \_\_\_\_\_

5. Briefly outline the steps you will need to take to reach these "big picture" goals. As you pursue each goal, it may help if you:

- Identify any barriers that exist
- Establish a personal accountability system
- Set a time frame or deadline for accomplishing the goal

Goal #1 \_\_\_\_\_

Step 1: \_\_\_\_\_

Step 2: \_\_\_\_\_

Step 3: \_\_\_\_\_

Barriers: \_\_\_\_\_

Accountable to: \_\_\_\_\_

Time frame to Accomplish: \_\_\_\_\_

Goal #2 \_\_\_\_\_

Step 1: \_\_\_\_\_

Step 2: \_\_\_\_\_

Step 3: \_\_\_\_\_

Barriers: \_\_\_\_\_

Accountable to: \_\_\_\_\_

Time frame to Accomplish: \_\_\_\_\_

# GOALS

*Continued*

Goal #3 \_\_\_\_\_  
\_\_\_\_\_

Step 1: \_\_\_\_\_

Step 2: \_\_\_\_\_

Step 3: \_\_\_\_\_

Barriers: \_\_\_\_\_

Accountable to: \_\_\_\_\_

Time frame to Accomplish: \_\_\_\_\_

Goal #4 \_\_\_\_\_  
\_\_\_\_\_

Step 1: \_\_\_\_\_

Step 2: \_\_\_\_\_

Step 3: \_\_\_\_\_

Barriers: \_\_\_\_\_

Accountable to: \_\_\_\_\_

Time frame to Accomplish: \_\_\_\_\_

Goal #5 \_\_\_\_\_  
\_\_\_\_\_

Step 1: \_\_\_\_\_

Step 2: \_\_\_\_\_

Step 3: \_\_\_\_\_

Barriers: \_\_\_\_\_

Accountable to: \_\_\_\_\_

Time frame to Accomplish: \_\_\_\_\_

Refer to these goals often and chart your progress. Review goals at least annually; and establish new ones as your financial situation changes. These goals will serve as the basis for your financial road map.

## SCRIPTURAL INSIGHTS ON GOAL SETTING

"See, I am doing a new thing! Now it springs up, do you not perceive it? I am making a way in the desert and streams in the wasteland."

ISAIAH 43:19

"Now to him who is able to do immeasurably more than all we ask or imagine, according to his power that is at work within us..."

EPHESIANS 3:20

"Delight yourself in the Lord; and He will give you the desires of your heart."

PSALM 37:4

"Thy word is a lamp to my feet, and a light to my path."

PSALM 119:105

"Do not lay up for yourselves treasures upon earth, where moth and rust destroy, and where thieves break in and steal; but lay up for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves do not break in and steal; for where your treasure is, there will your heart be also."

MATTHEW 6:19, 20

"But seek first His kingdom, and His righteousness; and all these things will be added to you."

MATTHEW 6:33

"Look carefully then how you walk! Live purposefully and worthily and accurately, not as the unwise and witless, but as wise—sensible, intelligent people; making the very most of the time—buying up each opportunity—because the days are evil. Therefore do not be vague and thoughtless and foolish, but understanding and firmly grasping what the will of the Lord is."

EPHESIANS 5:15-17

# NET WORTH

## A BIBLICAL PERSPECTIVE

How much is enough? In today's economic climate, most investors never stop to think about—let alone answer—this question. But for Christians seeking to be effective stewards of their God-given resources, the "how much" issue is a pivotal point in financial planning.

As you seek a spiritual comfort level regarding how much you should spend, save, invest, or give away, consider putting some "finish lines" on your lifestyle. First, decide in advance what your lifestyle is going to look like what sort of house you will live in, what cars you will drive, what vacations you will take, what size your savings account or investment portfolio should be, both currently and when you have stopped working. Then, when you reach these financial markers, consider giving away any amount you earn above and beyond these "finish line" needs. For most of us, needs expand to meet income, so unless you set your "finish lines" before you have the means to reach them, you probably will not reach the point where you have "enough."

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"There are two ways to get enough. One is to continue to accumulate more and more and the other is to desire less."

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*G.K. Chesterton*

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*"Give me neither poverty nor riches, but give me only my daily bread. Otherwise, I may have too much and disown you and say 'Who is the Lord?' Or I may become poor and steal, and so dishonor the name of my God.*

PROVERBS 30:8-9

# SETTING YOUR OWN FINANCIAL FINISH LINES

Review the following Biblical references and summary statements as you consider establishing your own "financial finish lines."

**READ: 1 TIMOTHY 5:8 AND EPHESIANS 5**

Providing for your family is God's minimum when it comes to determining how much is enough.

**READ: PSALM 127:1-2 AND PROVERBS 23:4, 5**

Carefully balance other priorities that God has given in His Word with the need to provide financially for your family. An over-commitment to work, for example, may undermine your ability to model a balanced, godly life.

**READ: PSALM 20:7 AND ECCLESIASTES 5:13**

Providing for your family is different from excessive accumulation or hoarding. Trust God to provide exactly what you and your family need.

**READ: ECCLESIASTES 5:19**

God enables each of us to enjoy the fruits of our labor, but our challenge is to be content with God's blessing.

**READ: LUKE 12:48**

Responsibility accompanies wealth.

**WRITE YOUR OWN FINISH LINES HERE**

1. Annual Lifestyle expenses: \_\_\_\_\_  
\_\_\_\_\_
2. Type of House: \_\_\_\_\_  
\_\_\_\_\_
3. Car needs: \_\_\_\_\_  
\_\_\_\_\_
4. Mortgage or debt amounts: \_\_\_\_\_  
\_\_\_\_\_
5. Mortgage or debt amounts: \_\_\_\_\_  
\_\_\_\_\_
6. \_\_\_\_\_  
\_\_\_\_\_
7. \_\_\_\_\_  
\_\_\_\_\_

## SCRIPTURAL INSIGHTS ON NET WORTH

"But if anyone does not provide for his own, and especially for those of his household, he has denied the faith, and is worse than an unbeliever."

I TIMOTHY 5:8

"Unless the Lord builds the house, they labor in vain who build it; unless the Lord guards the city, the watchman keeps awake in vain. It is vain for you to rise up early, to retire late, to eat the bread of painful labors; for He gives to His beloved even in his sleep."

PSALM 127:1-2

"Do not weary yourself to gain wealth, cease from your consideration of it. When you set your eyes on it, it is gone. For wealth certainly makes itself wings, like an eagle that flies toward the heavens."

PROVERBS 23:4-5

"Some trust in chariots and some in horses, but we trust in the name of the Lord our God."

PSALM 20:7

"I have seen a grievous evil under the sun: wealth hoarded to the harm of its owner."

ECCLESIASTES 5:13

"Moreover, when God gives any man wealth and possessions, and enables him to enjoy them, to accept his lot and be happy in his work-this is a gift of God."

ECCLESIASTES 5:19

"...And from everyone who has been given much shall much be required; and to whom they entrusted much, of him they will ask all the more."

LUKE 12:48

"Do not store up for yourselves treasures on earth, where moth and rust destroy, and where thieves break in and steal. But store up for yourselves treasures in heaven, where moth and rust do not destroy, and where thieves do not break in and steal. For where your treasure is, there your heart will be also."

MATTHEW 6:19-21

"His master said to him, 'Well done, good and faithful servant; you were faithful in a few things, I will put you in charge of many things; enter into the joy of your master.'"

MATTHEW 25:21

# SCRIPTURAL INSIGHTS ON NET WORTH

*Continued*

"Be imitators of God, therefore, as dearly loved children and live a life of love, just as Christ loved us and gave himself up for us as a fragrant offering and sacrifice to God.

But among you there must not be even a hint of sexual immorality, or of any kind of impurity, or of greed, because these are improper for God's holy people. Nor should there be obscenity, foolish talk or coarse joking, which are out of place, but rather thanksgiving. For of this you can be sure: No immoral, impure or greedy person—such a man is an idolater—has any inheritance in the kingdom of Christ and of God. Let no one deceive you with empty words, for because of such things God's wrath comes on those who are disobedient. Therefore do not be partners with them.

For you were once darkness, but now you are light in the Lord. Live as children of light (for the fruit of the light consists in all goodness, righteousness and truth) and find out what pleases the Lord. Have nothing to do with the fruitless deeds of darkness, but rather expose them. For it is shameful even to mention what the disobedient do in secret. But everything exposed by the light becomes visible, for it is light that makes everything visible. This is why it is said: 'Wake up, O' sleeper, rise from the dead, and Christ will shine on you.' Be very careful, then, how you live—not as unwise but as wise, making the most of every opportunity, because the days are evil.

Therefore do not be foolish, but understand what the Lord's will is. Do not get drunk on wine, which leads to debauchery. Instead, be filled with the Spirit. Speak to one another with psalms, hymns and spiritual songs. Sing and make music in your heart to the Lord, always giving thanks to God the Father for everything, in the name of our Lord Jesus Christ.

Submit to one another out of reverence for Christ.

Wives, submit to your husbands as to the Lord. For the husband is the head of the wife as Christ is the head of the church, his body, of which he is the Savior. Now as the church submits to Christ, so also wives should submit to their husbands in everything.

Husbands, love your wives, just as Christ loved the church and gave himself up for her to make her holy, cleansing her by the washing with water through the word, and to present her to himself as a radiant church, without stain or wrinkle or any other blemish, but holy and blameless. In this same way, husbands ought to love their wives as their own bodies. He who loves his wife loves himself. After all, no one ever hated his own body, but he feeds and cares for it, just as Christ does the church—for we are members of his body. For this reason a man will leave his father and mother and be united to his wife, and the two will become one flesh. This is a profound mystery—but I am talking about Christ and the church. However, each one of you also must love his wife as he loves himself, and the wife must respect her husband."

EPHESIANS 5

# DEBT

## A BIBLICAL PERSPECTIVE

Debt, simply stated, is a contract to pay later for what you receive now. The Bible does not condemn the use of debt, but warns against the consequences of its misuse. Specifically, Scripture says that the borrower can become the lender's slave (Proverbs 22:7).

The inappropriate use of debt can create a barrier to our reliance on God and limit our freedom to respond to His call. Incurring debt in certain situations may not be His best plan for us. Before you take out a loan of any size, spend time in prayer and evaluate the spiritual, economic, psychological, and personal ramifications.

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“Debt is no longer regarded as an earned privilege for the few but an inalienable right for all.”

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*Randy Alcorn*

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*“The wicked borrow and do not repay, but the righteous give generously.”*

PSALM 37:21



## THE ROLE OF DEBT IN YOUR FINANCIAL PICTURE

As you consider what role debt will play in your financial picture, we recommend reviewing related Scripture and noting some of the common misconceptions addressed there.

**READ: JAMES 4:13-15**

Presuming on the future and assuming everything will go just as you had planned (increased salary, investment growth, inflation, etc.) is financially unwise. Effective stewardship relies as little as possible on the future and more on living within a manageable lifestyle today.

**READ: PSALM 37:7A**

Be willing to wait on God to provide for your needs within your current means. In other words, avoid borrowing to get what you want now, and wait until you can afford it.

**READ: PROVERBS 22:26-27**

Don't borrow to make an investment just so you can "get rich quick."

**READ: PROVERBS 22:26-27**

Don't guarantee another person's loan. This is equivalent to taking on debt yourself.

# THE ROLE OF DEBT IN YOUR FINANCIAL PICTURE

*Continued*

## CONSIDERATIONS BEFORE BORROWING

### **Spiritual**

Does this loan limit my ability to be obedient to God?

Do I have the freedom before God to take on debt?

### **Economic**

In general, the financial return you get from taking on debt should be greater than the cost of the debt. Taking out a loan to get a college education or launch a business usually meets this condition; using a high-interest credit card to purchase a non-earning asset like clothes or furniture does not. Also, before you take on any debt, be sure that *you* have a realistic plan for repaying the loan--one that does not presume on the future.

### **Psychological**

How much debt can you handle? Debt can lead to a great deal of stress. Make sure you and your spouse agree on the use of debt.

### **Personal Goals**

Can your goals be met by some method other than debt?

Will taking on debt in one area limit your ability to reach or pursue your other financial goals?

## SCRIPTURAL INSIGHTS ON DEBT

"The rich rules over the poor, and the borrower becomes the lender's slave."

PROVERBS 22:7

“Come now, you who say, ‘Today or tomorrow we shall go to such and such a city, and spend a year there and engage in business and make a profit.’ Yet you do not know what your life will be like tomorrow. You are just a vapor that appears for a little while and then vanishes away. Instead you ought to say, ‘If the Lord wills, we shall live and also do this or that.’”

JAMES 4:13-15

“Be still before the Lord and wait patiently for Him.”

PSALM 37:7A

“A faithful man will be richly blessed, but one eager to get rich will not go unpunished...A stingy man is eager to get rich and is unaware that poverty awaits him.”

PROVERBS 28:20, 22

“Do not be a man who strikes hands in pledge or puts up security for debts; if you lack the means to pay, your very beds will be snatched from under you.”

PROVERBS 22:26-27

"When you make a vow to God, do not be late in paying it, for He takes no delight in fools. Pay what you vow! It is better that you should not vow than that you should vow and not pay."

ECCLESIASTES 5:4-5

"Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it?"

LUKE 14:28

"Let no debt remain outstanding, except the continuing debt to love one another, for he who loves his fellow man has fulfilled the law."

ROMANS 13:8

# INVESTING

## A BIBLICAL PERSPECTIVE

Effective investing is not an end in itself; rather, it is a vital part of the total financial planning process. While fear and greed can work against a biblical approach to investing, those who use a strategy based on the wisdom of Scripture will find themselves equipped to make sound decisions that are not dictated by the short-term economic climate.

Daily the media bombards consumers with "get rich quick" schemes that fuel a consumptive mentality. By contrast, the Bible teaches that the most effective way to accumulate wealth is by consistently spending less than you earn and doing it over a long period of time. Next, preserve and grow your capital through a diversified portfolio of investments.

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"In Investing money, the amount of interest you want should depend on whether you want to eat well or sleep well."

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*J. Kenfield Morley*

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*"Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth."*

ECCLESIASTES 11:2

## TEN PRINCIPLES OF SUCCESSFUL INVESTING

- |   |                               |
|---|-------------------------------|
| 1. Establish written financial goals                            | PROVERBS 20:5, PROVERBS 21:5  |
| 2. Seek wise financial and investment counsel                   | PROVERBS 19:20                |
| 3. Cultivate a long-term perspective                            | LUKE 14:28                    |
| 4. Diversify your portfolio                                     | ECCLESIASTES 11:2             |
| 5. Consistency is crucial, don't make haste to "get rich quick" | PROVERBS 28:20-22             |
| 6. Avoid risky investments if you can't afford a loss           | ECCLESIASTES 5:13, 15         |
| 7. Avoid high leverage  | PROVERBS 22:7                 |
| 8. Monitor your anxiety   | PSALM 131:1                   |
| 9. Establish limits on the amount you invest                    | PROVERBS 15:16, PROVERBS 30:8 |
| 10. Share and discuss decisions with your spouse                | GENESIS 2:24                  |

### **REVIEW THESE SPECIFIC QUESTIONS BEFORE YOU MAKE ANY INVESTMENT DECISIONS:**

What are my reasons for making this investment?

- |  |                   |
|--|-------------------|
| •Becoming debt free  | PROVERBS 22:26-27 |
| •Providing for family, meeting future needs, and establishing an inheritance | PROVERBS 30:25    |
| •Allowing increased giving   | PROVERBS 22:9     |

Could I be investing unwisely due to any of the following attitudes?

- |        |                              |
|--------|------------------------------|
| •Greed | I TIMOTHY 6:9, PROVERBS 22:9 |
| •Pride | PROVERBS 16:5                |
| •Fear  | PROVERBS 18:11               |

Am I presuming on the future and creating anxiety for myself or my family?

MATTHEW 6:25, PHILIPPIANS 4:6-7

# INVESTMENT PERSPECTIVES: WORLDLY VS. BIBLICAL

## WORLDLY PERSPECTIVE

## BIBLICAL PERSPECTIVE

Get rich quick

PROVERBS 28:20

Preservation & steady growth

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Short-term horizon

LUKE 14:28

Long-term horizon

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Spend & consume first

ECCLESIASTES 5:13-15

Save & invest first

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Time is an enemy

PROVERBS 6:6-8

Time is a tool

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Market timing

ECCLESIASTES 11:2

Diversify strategically

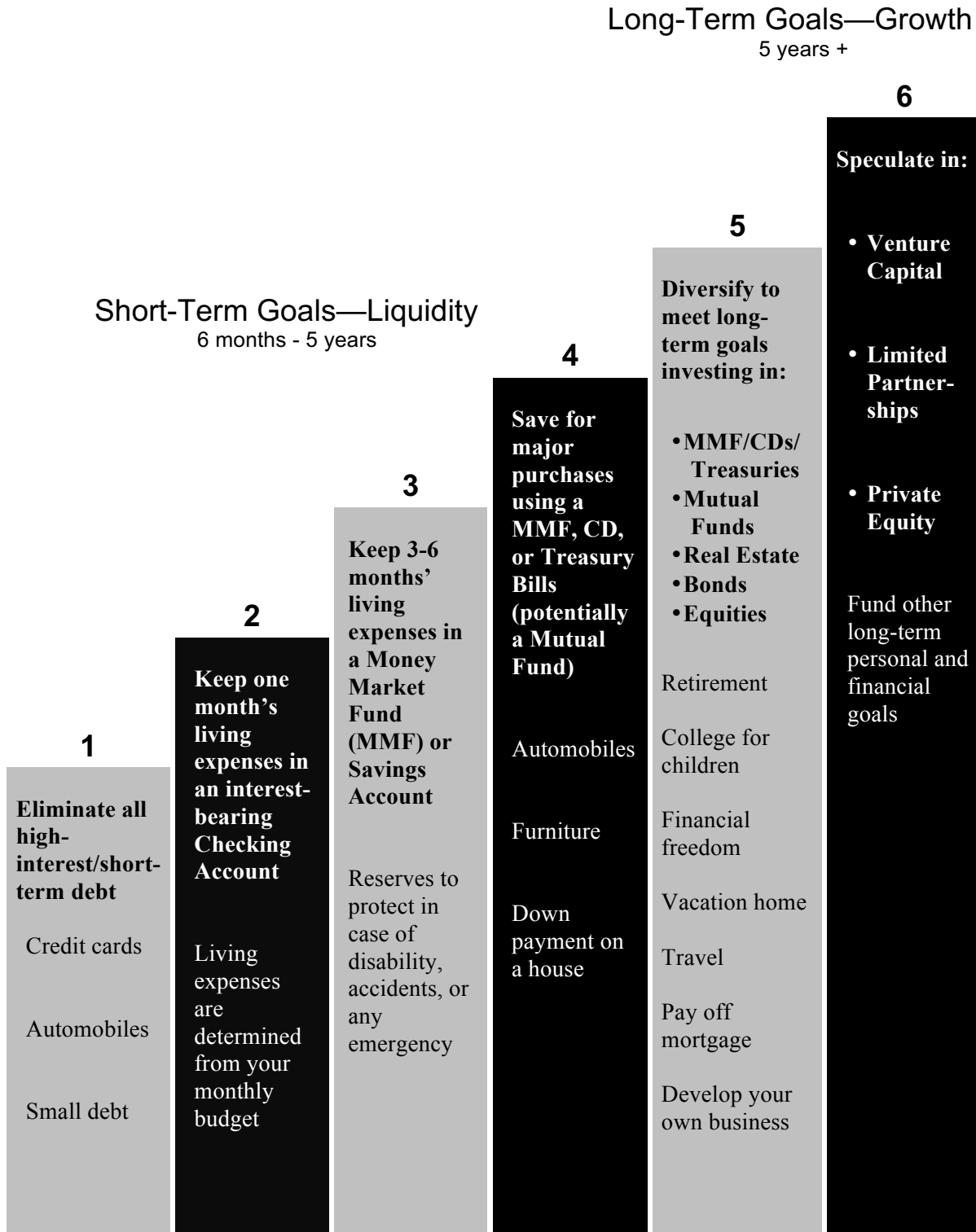
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Past performance

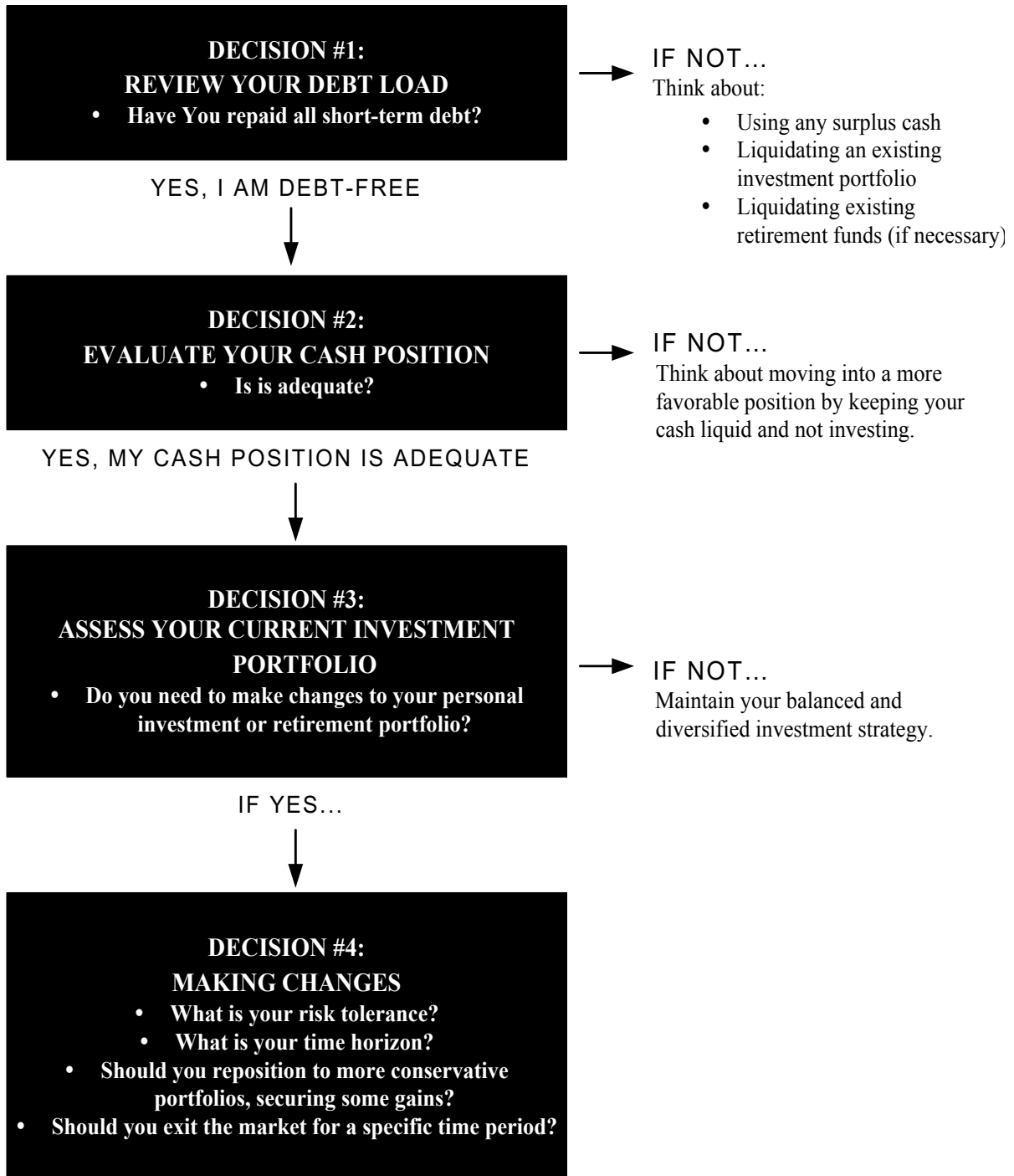
2 PETER 3:4

Cycles are inevitable

# SEQUENTIAL INVESTING



# INVESTMENT DECISION MAKING PROCESS

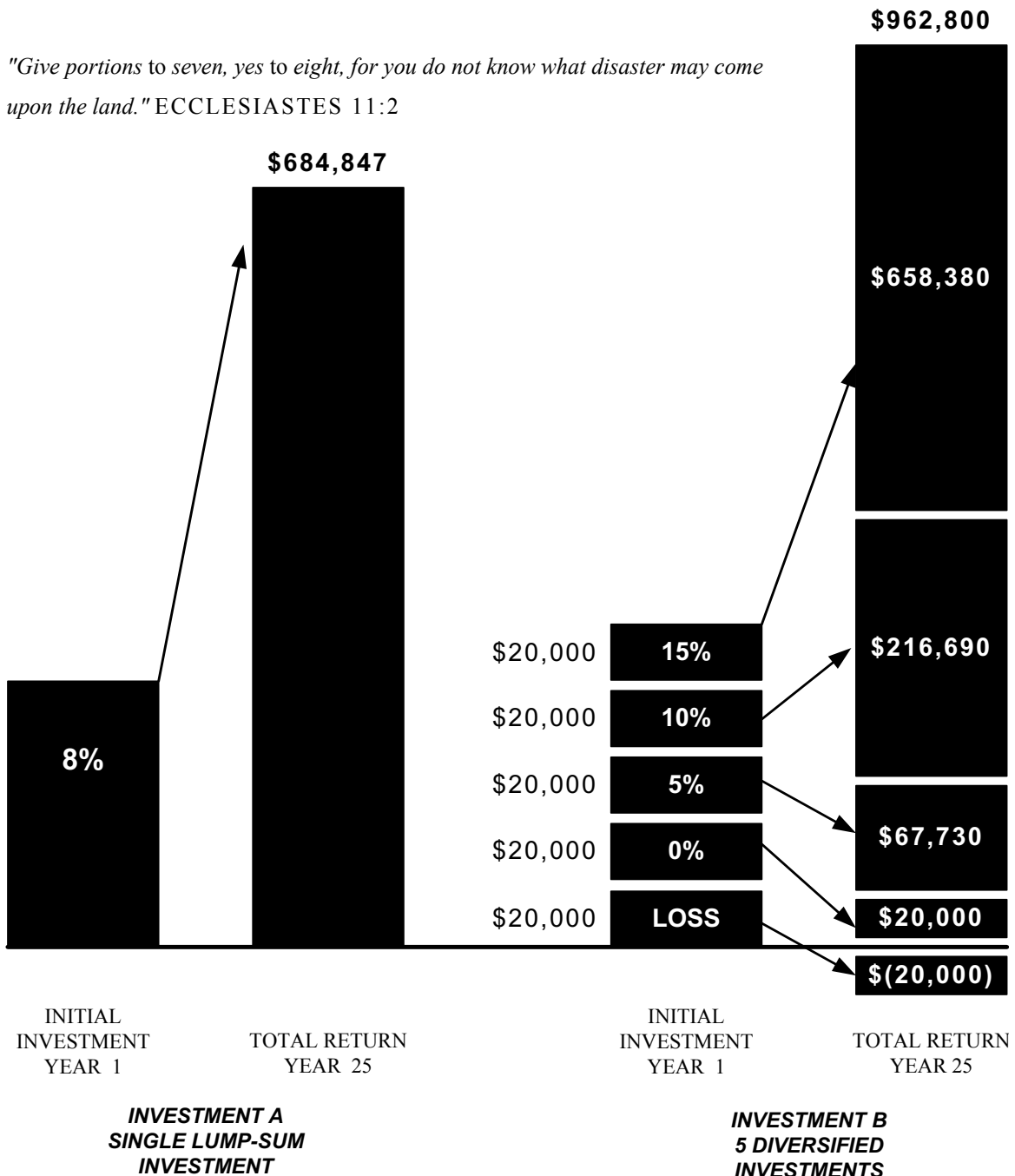




# HOW DIVERSIFICATION WORKS FOR THE INVESTOR

This chart illustrates the potential difference between lump-sum investing and diversification. Investment A shows what could happen to a \$100,000 lump sum when it is invested in one investment that earns 8% per year. Investment B shows what could happen to that same \$100,000 when it is spread over five different investments, each earning different rates of return. Diversification takes into account inevitable cycles of the market over a long-term time horizon. It could lead to growth in net worth over time, and compensate for periods where values and various asset classes fluctuate.

*"Give portions to seven, yes to eight, for you do not know what disaster may come upon the land." ECCLESIASTES 11:2*



## GLOSSARY OF INVESTMENT TERMS

**ASSET ALLOCATION:** The division of an investment portfolio among asset classes (e.g., stocks, bonds, real estate). The proportions are based on historical performance, risk measurements, and the relationship (correlation) between the asset classes.

**BASIS:** The tax cost which is typically the original price paid by the buyer for an asset plus reinvested dividends in the case of mutual funds.

**BEAR MARKET:** Historically defined as a 20% decline in the stock market.

**BLUE CHIP STOCK:** The stock of a large, financially sound corporation with a strong earnings record.

**BOND:** Legally binding agreement given to you in exchange for a sum of money that a corporation, municipality, church, etc. agrees to repay to you at a specified maturity date with an agreed amount of interest.

**BULL MARKET:** A rising stock market. A bull market typically exists when corporate earnings are strong and rising, and investors are optimistic about future market performance. It can exist during times of speculation.

**CAPITAL GAIN/LOSS:** Difference between total proceeds from the sale of an asset (e.g., real estate, stock, mutual fund, equipment) and its basis.

**CORRECTION:** A drop of 10% or more in the stock market.

**DIVIDEND:** The payment designated by a corporation to be distributed to its shareholders. Corporations usually declare dividends based on the amount of profit.

**DOLLAR COST AVERAGING:** A method of purchasing investments at regular intervals with a fixed amount of dollars, regardless of the prevailing prices of the investments. Periodic payments buy more shares when the price is low and fewer shares when it rises. Because of market fluctuations, this method enables investors, who consistently buy in both good and bad times, to be able to decrease volatility.

**FEDERAL FUNDS RATE:** The rate commercial banks charge each other for overnight loans. A key determinant of borrowing costs throughout the economy.

**INDEX FUND:** A passively managed mutual fund that mimics a specified market index, such as the S&P 500.

**INDEXES:** Widely used as benchmarks measuring historical rates of return across several securities. For example, the Dow *Jones* Industrial Average is a stock index that consists of 30 blue-chip stocks. The S&P 500 is a well known index of stock prices computed by Standard & Poor's Corporation and determined by the price action of a carefully selected list of 425 leading industrial issues, 25 railroads, and 50 utilities.

# GLOSSARY OF INVESTMENT TERMS

*Continued*

**LARGE CAP STOCK:** A stock of a company with market capitalization (number of shares outstanding multiplied by per share price) over one billion dollars.

**LIQUID ASSETS:** Assets that can easily be converted to cash at their current fair market value.

**MONEY MARKET FUND:** A mutual fund that invests in short-term debt instruments such as Treasury Bills, U.S. Government agency issues, commercial bank certificates of deposit, and commercial paper. The interest rate on a money market fund fluctuates with the prime interest rate. This type of money market fund is not insured by the Federal Deposit Insurance Corporation (FDIC).

**MUNICIPAL SECURITIES:** Bonds issued by state and local government units. The income from these securities is exempt from federal income taxes (also state income taxes in some states).

**MUTUAL FUND:** A fund or pool of funds made up of various securities and managed by a fund manager. Individual investors buy shares of the fund rather than owning the individual securities.

**NO-LOAD FUND:** A mutual fund that does not have any direct sales commission.

**NON-LIQUID ASSETS:** Assets that cannot easily be converted to cash without a substantial forfeiture or loss.

**PRIME RATE:** Interest rate benchmark used by commercial banks in establishing lending rates.

**PROSPECTUS:** A publication describing securities or investments offered for sale to the public.

**RISK:** The possibility of not obtaining the expected return from an investment, measured by the difference between actual results and expected results over a period of time. Also refers to the volatility of a particular investment.

**RISK-FREE RATE OF RETURN:** The rate of return on an asset that theoretically carries no risk. U.S. Treasury bills are often used to represent this measure.

**SMALL CAP STOCK:** The stock of a company with market capitalization (number of shares outstanding multiplied by per share price) generally under five hundred million dollars.

**STOCK:** Represents an ownership interest in a corporation.

**YIELD:** Dividends or interest paid by a security expressed as a percentage of current selling price (or face value).

## SCRIPTURAL INSIGHTS ON INVESTING

"The purposes of a man's heart are deep waters, but a man of understanding draws them out."  
PROVERBS 20:5

"The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty."  
PROVERBS 21:5

"Listen to counsel and accept discipline, that you may be wise the rest of your days."  
PROVERBS 19:20

"Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it?"  
LUKE 14:28

"Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth."  
ECCLESIASTES 11:2

"A faithful man will abound with blessings, but he who makes haste to be rich will not go unpunished...a man with an evil eye hastens after wealth, and does not know that want will come upon him."  
PROVERBS 28:20-22

"I have seen a grievous evil under the sun: wealth hoarded to the harm of its owner, or wealth lost to misfortune, so that when he has a son there is nothing left for him. Naked a man comes from his mother's womb, and as he comes, so he departs. He takes nothing from his labor that he can carry in his hand."  
ECCLESIASTES 5:13-15

"The rich rule over the poor, and the borrower is servant to the lender."  
PROVERBS 22:7

"Oh Lord, my heart is not proud or my eyes haughty; nor do I involve myself in great matters, or in things too difficult for me."  
PSALM 131:1

"Better is a little with fear of the Lord, than great wealth with turmoil."  
PROVERBS 15:16

"Keep deception and lies far from me, give me neither poverty nor riches; feed me with the food that is my portion."  
PROVERBS 30:8

# SCRIPTURAL INSIGHTS ON INVESTING

*Continued*

"For this reason a man will leave his father and mother and be united to his wife, and they will become one flesh."

GENESIS 2:24

"Do not be a man who strikes hands in pledge or puts up security for debts; if you lack the means to pay, your very bed will be snatched from under you."

PROVERBS 22:26-27

"Ants are creatures of little strength, yet they store up food in the summer."

PROVERBS 30:25

"A generous man will himself be blessed, for he shares his food with the poor."

PROVERBS 22:9

"But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction."

I TIMOTHY 6:9

"Everyone who is proud is an abomination to the Lord; assuredly, he will not be unpunished."

PROVERBS 16:5

"The wealth of the rich is their fortified city, they imagine it an unscalable wall."

PROVERBS 18:11

"Therefore I tell you, do not worry about your life, what you will eat or drink; or about your body, what you will wear. Is not life more important than food, and the body more important than clothes?"

MATTHEW 6:25

"Do not be anxious about anything, but in everything by prayer and petition, with thanksgiving, present your requests to God. And the peace of God, which transcends all understanding, will guard your hearts and your minds in Christ Jesus."

PHILIPPIANS 4:6-7

"Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest."

PROVERBS 6:6-8

"They will say, 'Where is this coming He promised? Ever since our fathers died, everything goes on as it has since the beginning of creation.'"

2 PETER 3:4

# INCOME TAX

## A BIBLICAL PERSPECTIVE

Income tax planning incorporates principles from several of the other topics discussed in your financial plan. Too often, taxes are viewed as the greatest evil under the sun, but basic Scriptural principles of wise stewardship encourage and challenge us to see taxes in a different light. A good steward endeavors to reduce tax liabilities as much as is legally possible, while obeying God's call to be subject to those in authority. However, while lowering your tax bill is important, it should never be the centerpiece of your financial plan. Instead of allowing tax avoidance to be your prime motivator, consider your tax reduction efforts in light of your overall goals for investing, debt reduction, estate distribution, and charitable giving.

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“The taxpayer – that’s someone who works for the federal government but doesn’t have to take a civil service examination.”

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*Ronald Reagan*

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*“Give everyone what you owe him: If you owe taxes, pay taxes; if revenue, then revenue; if respect, then respect; if honor, then honor.”*

ROMANS 13:7

## GLOSSARY OF INCOME TAX TERMS

**ALTERNATIVE MINIMUM TAX (AMT OR ALT MIN):** Individual taxpayers are subject to two tax systems: the regular income tax and the alternative minimum tax (AMT). The taxpayer is liable for the larger of the two taxes computed under each system.

**CAPITAL GAINS TAX:** The tax on the difference between the total proceeds from the sale of an asset (e.g., real estate, stock, mutual fund, equipment) and its tax cost basis (purchase price with adjustments). Generally, the tax rate on assets held for less than one year is greater than the tax on an asset held for a longer period of time.

**EFFECTIVE TAX RATE:** The total amount paid in taxes divided by total earned income.

**FICA (FEDERAL INSURANCE CONTRIBUTIONS ACT):** FICA tax is comprised of both OASDI (Old Age, Survivors, and Disability Insurance, also called Social Security tax) and Medicare tax. FICA taxes are a percentage of the taxpayer's wages and are paid by both an employee and employer.

**KIDDIE TAX:** To reduce the tax savings that results from shifting income from parents to children, the net unearned income (e.g., interest, dividends) of a child under age 14 is taxed at the marginal tax rate of the parents.

**MARGINAL TAX RATE:** The United States has a graduated tax system that taxes various levels of income at different rates. As a person's income reaches a higher level, their tax rate increases. Therefore, the marginal tax rate determines the amount paid on the next dollar of taxable income.

**SELF-EMPLOYMENT TAX:** Self-employed individuals pay higher Social Security and Medicare taxes because they, in essence, pay both the employer and employee's share.

## SCRIPTURAL INSIGHTS ON PAYING TAXES

"Oh, Lord, my heart is not proud or my eyes haughty; nor do I involve myself in great matters, or in things too difficult for me."

PSALM 131:1

"Dishonest money dwindles away, but he who gathers money little by little makes it grow."

PROVERBS 13:11

"He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much."

LUKE 16:10

"And He said to them, 'Then render to Caesar the things that are Caesar's, and to God the things that are God's.'"

LUKE 20:25

"Rather, we have renounced secret and shameful ways; we do not use deception, nor do we distort the Word of God. On the contrary, by setting forth the truth plainly we commend ourselves to every man's conscience in the sight of God."

II CORINTHIANS 4:2



# CASH FLOW

## A BIBLICAL PERSPECTIVE

The world generally defines "success" in terms of income and lifestyle, but in God's eyes, these things are unimportant. How we spend our money speaks volumes about our priorities and our belief systems. If we believe that God truly owns it all, every spending decision is, in reality, a spiritual decision. There is nothing more or less spiritual about giving a tithe than spending money on vacation. If in fact, it is all God's to begin with, then whenever we make a spending decision we are saying that this is what God would have done with His resources. This frees us to use God's resources for the accomplishment of the goals and desires that God places in our hearts with no feelings of guilt. While the Bible offers no clear-cut direction regarding spending levels or lifestyle choices, our spending habits can enhance (or limit) our ability to avoid debt, give generously, and follow God's leading in countless other areas of our financial lives.

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"Too many people spend money they haven't earned to buy things they don't need to impress people they don't like."

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*Will Rogers*

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*"But godliness actually is a means of great gain, when accompanied by contentment. For we have brought nothing into the world, so we cannot take anything out of it either."*

I TIMOTHY 6:6-7

## CASH FLOW RESPONSIBILITY

According to Scripture, it is our responsibility to allocate resources to the following areas:

Giving	I CORINTHIANS 16:2
Taxes	LUKE 20:25B
Debt Repayment	PSALM 37:21
Living Expenses	I TIMOTHY 5:8
Savings	PROVERBS 6:6-8; PROVERBS 21:20

### QUESTIONS TO CONSIDER

**READ:** DEUTERONOMY 8:18

Do you truly believe God is providing your income or wealth?

**READ:** PROVERBS 16:3

Have you identified your God-given goals?

**READ:** PROVERBS 16:9

Are your goals based on faith or on your own ability to accomplish them?

**READ:** I TIMOTHY 6:17-18

Why do you believe God has given you the cash flow margin you have?

**READ:** LUKE 3:11

Would you consider establishing a lifestyle or investment "finish line" and giving away the money you earn above and beyond that amount?

Picture yourself before God giving an account of your use of the funds He has entrusted to you. Would He say, "Well done good and faithful servant!"

# ACHIEVING LONG-TERM GOALS BY CONTROLLING CASH -FLOW

Traditionally, the best way to accomplish long-term goals is to generate a positive cash flow margin. Margin only comes when you spend less than you earn-which means controlling your cash flow. The basic objectives of establishing and maintaining a cash flow control system are to:

- Assess your current spending habits and patterns
- Ensure that your actual spending aligns with your predetermined priorities.
- Build liquidity so you will be prepared for emergencies
- Take advantage of financial opportunities

## **CASH FLOW CONTROL SYSTEMS**

The key to effectively controlling cash flow is to select a system that works for you and stick with it! Before you implement a cash flow control system, identify your specific spending categories, establish monthly spending limits within each category, and commit to exercising discipline in the review process.

### **Envelope System**

Set up an envelope for each category of your spending, such as groceries, entertainment, and other areas. Decide how much you want to spend in each category for a specific time period and allocate that cash amount to each envelope. When the cash is gone from a particular envelope, your spending in that category stops.

### **Record Keeping System**

Rather than keeping the actual cash in an envelope, record the predetermined (budgeted) amount in a ledger or on your computer, and then subtract the actual expenses whether paid by cash, check, debit card, credit card, or electronic funds transfer. To help track your spending, use one of the following:

- Ledger sheets for manual record keeping
- A bank or brokerage account that allows you to code checks according to your own chart of accounts, and then summarizes the totals for you each month
- A computer software program, such as Quicken, to expedite your monthly review

Another key element to maintaining a cash flow control system is tracking expenditures at an appropriate and realistic level of detail. For some people, broad categories are sufficient (giving, living expenses, debt repayment, taxes, major expenses, and savings). For others, subdividing these categories allows them to better monitor and control discretionary expenses. Only you know how much detail you need.

**Remember, cash flow monitoring is the only way to ensure that your spending habits match your spending priorities.**

## SCRIPTURAL INSIGHTS ON CASH FLOW

"On the first day of every week, each one of you should set aside a sum of money in keeping with his income, saving it up, so that when I come no collections will have to be made."

I CORINTHIANS 16:2

"Then give to Caesar what is Caesar's, and to God what is God's."

LUKE 20:25B

"The wicked borrow and do not repay, but the righteous give generously."

PSALM 37:21

"But if anyone does not provide for his own, and especially for those of his household, he has denied the faith, and is worse than an unbeliever."

I TIMOTHY 5:8

"Go to the ant, you sluggard: consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest."

PROVERBS 6:6-8

"In the house of the wise are stores of choice food and oil, but a foolish man devours all he has."

PROVERBS 21:20

"But you shall remember the Lord your God for it is He who is giving you power to make wealth."

DEUTERONOMY 8:18

"Commit to the Lord whatever you do, and your plans will succeed."

PROVERBS 16:3

"In his heart a man plans his course, but the Lord determines his steps."

PROVERBS 16:9

"Instruct those who are rich in the present world not to be conceited or to fix their hope on the uncertainty of riches, but on God, who richly supplies us with all things to enjoy. Instruct them to do good, to be rich in good works, to be generous and ready to share."

I TIMOTHY 6:17-18

"John answered, 'The man with two tunics should share with him who has none, and the one who has food should do the same.'"

LUKE 3:11

# STRATEGIC GIVING

## A BIBLICAL PERSPECTIVE

Giving opens the door to one of the most powerful testimonies a Christian can have. It demonstrates obedience to God's commands, acknowledges His ownership of everything, allows us to participate in His work while here on earth, and offers the promise of future eternal rewards. Giving can be an investment in eternity. Making decisions about where to give holds just as much importance as deciding where to invest. Don't simply rely on your historical giving patterns. Pray about your giving and be alert to new opportunities and challenges presented by God.

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"We make a living by what we get. We make a life by what we give."

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*Winston Churchill*

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*"Let each one do just as he has purposed in his heart; not grudgingly or under compulsion; for God loves a cheerful giver."*

II CORINTHIANS 9:7



# STRATEGIC GIVING: WHY, HOW AND WHERE

*Continued*

## HOW MUCH SHOULD I GIVE

There is no set formula for Biblical giving, but decisions can be made on three different levels.

1. The "Should Give" level represents the tithe that is spoken of in the Old Testament as 10%, but in the New Testament as proportional to the Lord's blessings (LEVITICUS 27:30, DEUTERONOMY 14:23, II CORINTHIANS 8:12, II CORINTHIANS 9:6-7).
2. The "Could Give" level pertains to sacrificial giving on top of the tithe. The Lord commends this type of giving as a symbol of our trust in His provision. Remember the poor widow in MARK 12:43-44? She generously gave all she had and was consequently rewarded with the Lord's favor.
3. The "Would Give" level stretches your faith even further by causing you to respond to the Lord and commit resources that only He can provide, sometimes unexpectedly.

## BIBLICAL DIRECTIONS FOR WHERE TO GIVE

There are unlimited opportunities to give of your money, time and talents. Be strategic and prayerful in your decisions, evaluating each opportunity before the Lord and not reacting to emotional appeals or past giving history.

- Give to your local church or fellowship                      GALATIANS 6:6
- Give to organizations whose efforts are                      MATTHEW 28:18-20  
fulfilling the Great Commission
- Give to individuals in need    I JOHN 3: 17

## DEVELOPING MY GIVING STRATEGY

Key decisions in developing your strategy:

- How much of your income do you plan to give in the current year?
- Where is the Lord leading you to give?
- Are there certain areas of the world that you sense God wants you to focus on besides giving at home?
- What percentage of your total giving should be allocated to each choice?

## EVALUATING MINISTRIES, ORGANIZATIONS AND PROJECTS

Noted management consultant, Pat McMillan, has developed a list of questions in his book, *Hiring Excellence*, that can serve as a helpful guide to evaluate particular ministries.

1. Are the leaders marked by godly characteristics?
2. Is the ministry active in God's "hot spots?"
3. Is the ministry innovative?
4. Is the ministry growing and cooperative?
5. Is the ministry goal-oriented?
6. Is the ministry accountable?
7. Is the ministry endorsed by a strong track record?

## TOOLS FOR STRATEGIC GIVING

Depending on your objectives, there are numerous methods to give charitably - several are listed below. We encourage you to discuss with your financial professional the best method for your particular financial and estate planning situation.

### GIVING NON-CASH APPRECIATED ASSETS

Giving appreciated assets, such as marketable securities or real estate, can be a "win-win" for both the giver and the receiver. This method allows the giver to maintain current cash, while reducing income and/or estate tax liabilities. The recipient acquires a gift that can be sold at fair market value - free of taxes. The following chart illustrates the benefits of giving appreciated assets.

#### THE BENEFITS OF GIVING APPRECIATED ASSETS vs. GIVING THE PROCEEDS FROM SELLING THE ASSET:

Current Market Value	\$50,000
Tax Cost Basics	\$10,000
20% Tax on \$40,000 Capital Gain if Stock Sold (\$50,000 - \$10,000)	\$8,000

	<b>Sell Stock, Contribute Proceeds</b>	<b>Gift of Appreciated Stock</b>
Current Market Value	\$50,000	\$50,000
Capital Gain Tax on Sale	- \$8,000	- n/a
<b>Net Deductible Funds to Charity</b>	= \$42,000	= \$50,000
Donor's Tax Rate	* 30%	* 30%
<b>Tax Savings for Donation</b>	= \$12,600	= \$15,000
Tax on Capital Gain	- \$8,000	- n/a
<b>Net Tax Savings for Donor</b>	= \$4,600	= \$15,000

### Summary

Funds to Charity	\$42,000	\$50,000
Net Tax Savings for Donor	\$4,600	\$15,000
<b>Total Benefit</b>	<b>\$46,600</b>	<b>\$65,000</b>



# TOOLS FOR STRATEGIC GIVING

*Continued*

## **Giving Through a Charitable Remainder Trust (CRT)**

A Charitable Remainder Trust allows a beneficiary to receive a current income tax deduction and an immediate income stream from the assets placed in the trust. At the end of the trust agreement, all of the remaining trust assets pass to the designated charity.

## **Giving Through a Charitable Lead Trust (CLT)**

A Charitable Lead Trust provides a means to give to charity for a specific period of time, with the remaining trust assets distributed to your designated beneficiaries. The charity receives an annual amount for the length of the trust agreement, while trust assets are distributed to your designated heirs.

*(For more on these trusts, see the Estate Planning section.)*

## **Giving Gifts of Life Insurance**

Life insurance policies purchased while building a family may later in life prove to be good charitable gifts that can offer tax advantages. If other assets are now providing the income your family will need after your lifetime, consider transferring ownership of your policy to your favorite charity, thereby reducing estate taxes.

## **Giving Retirement Plan Assets**

Because most retirement assets have been sheltered from income tax, they are subject to double taxation in your estate (income and estate tax). By bequeathing your retirement plan assets to your favorite charity, your heirs will realize income and estate tax savings and the charity will receive the full value of the gift.

## **Giving Closely Held Stock**

Donating shares of a closely held stock to your favorite charity is another method of gifting assets. Once the donation is complete, the charity seeks redemption from the corporation, which then purchases the stock with retained earnings. The donor realizes an income tax deduction for the charitable gift as well as the ability to avoid capital gains taxes on its appreciated value, while maintaining a controlling interest in the company.

## **Giving Through a Donor Advised Fund or Foundation**

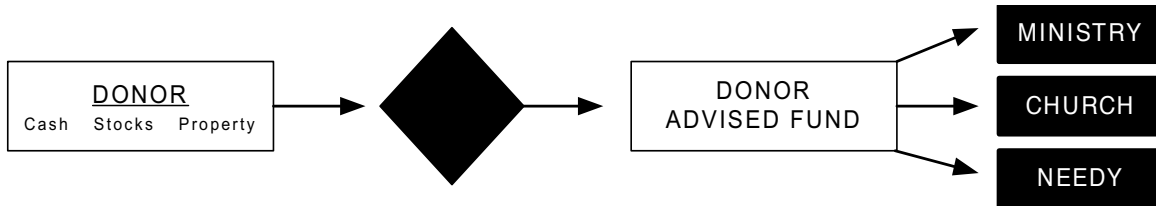
Making charitable contributions through a Donor Advised Fund or Foundation can offer a high level of flexibility, current and/or deferred tax advantages, and an assurance of asset distribution to specific charities or focus areas.

# NATIONAL CHRISTIAN FOUNDATION

Historically God has used the giving of His faithful stewards to evangelize the lost, feed and comfort the poor, encourage and strengthen the body of Christ, and bring healing to the sick-to further His Kingdom. The National Christian Foundation (NCF) provides a way to simplify your charitable giving while retaining the benefits of giving for you, your family and the organizations you support.

Often giving, though a simple concept, can be quite complex. There are tax-related issues, administrative challenges, and time is required *to* benefit multiple charitable recipients. NCF provides a comprehensive solution to both small and large donors who desire to maximize their flexibility and minimize the administrative duties *of* making charitable contributions. NCF's purpose is to serve faithful Christian stewards and the organizations they support as a partner in advancing the Kingdom of God.

Donors wishing to utilize the benefits of NCF establish their own Donor Advised Fund at NCF. From this Fund they are able to make charitable contributions similar to having established their own private foundation, but without the restrictions and administrative burden often associated with private foundations. NCF operates on a low budget, holding expenses down while maintaining services to donors at a high professional level.



Because the National Christian Foundation is recognized as a public charity by the Internal Revenue Service, you have a great deal of flexibility in making distributions from your Fund. Before a distribution is made from your Fund, NCF investigates your recommendations, making certain the purpose of the distribution meets the purpose for which NCF enjoys tax exempt status.

As an added service, when you do not know where your financial resources may best be used, NCF keeps a priority list of organizations and individuals who are in need of support. Whether for world hunger, church development, evangelism, foreign missions, or helping a widow and her family, NCF's Board will be happy to assist you in finding a legitimate person or organization as an object of your bounty. NCF actively seeks recommendations of such worthy individuals and organizations from donor and non-donor alike. Funds are deposited either in investment portfolios with professional management or money market accounts.

## SCRIPTURAL INSIGHTS ON STRATEGIC GIVING

"But when you give to the needy, do not let your left hand know what your right hand is doing."  
MATTHEW 6:3

"Remember this: Whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously. Each man should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver. And God is able to make all grace abound to you, so that in all things at all times, having all that you need, you will abound in every good work."

II CORINTHIANS 9:6-8

"If I give all I possess to the poor and surrender my body to the flames, but have not love, I gain nothing."

I CORINTHIANS 13:3

"Ask and it will be given to you; seek and you will find; knock and the door will be opened to you. For everyone who asks receives; he who seeks finds; and to him who knocks, the door will be opened."

MATTHEW 7:7-8

"Honor the Lord from your wealth, and from the first fruits of all your produce; so your barns will be filled with plenty, and your vats will overflow with new wine."

PROVERBS 3:9-10

"Each of you must bring a gift in proportion to the way the Lord your God has blessed you."

DEUTERONOMY 16:17

"As he looked up, Jesus saw the rich putting their gifts into the temple treasury. He also saw a poor widow put in two very small copper coins. 'I tell you the truth,' he said, 'this poor widow has put in more than all the others. All these people gave their gifts out of their wealth; but she out of her poverty put in all she had to live on.'"

LUKE 21:1-4

"For who regards you as superior? And what do you have that you did not receive? But if you did receive it, why do you boast as if you had not received it?"

I CORINTHIANS 4:7

"The earth is the Lord's, and everything in it."

I CORINTHIANS 10:26

## SCRIPTURAL INSIGHTS ON STRATEGIC GIVING

*Continued*

"Give and it will be given to you. A good measure, pressed down, shaken together and running over, will be poured into your lap. For with the measure you use, it will be measured to you."

LUKE 6:38

"On the first day of every week, each one of you should set aside a sum of money in keeping with his income, saving it up, so that when I come no collections will have to be made."

I CORINTHIANS 16:2

"So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches? And if you have not been trustworthy with someone else's property, who will give you property of your own? No servant can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other: You cannot serve both God and money."

LUKE 16:11-13

"Command them to do good, to be rich in good deeds, and to be generous and willing to share. In this way they will lay up treasure for themselves as a firm foundation for the coming age, so that they may take hold of the life that is truly life."

I TIMOTHY 6:18-19

"You shall generously give to him, and your heart shall not be grieved when you give to him, because for this thing the Lord your God will bless you in all your work and in all your undertakings. For the poor will never cease to be in the land; therefore I command you, saying, 'You shall freely open your hand to your brother, to the needy and poor in your land. '"

DEUTERONOMY 15:10-11

"This service that you perform is not only supplying the needs of God's people but is also overflowing in many expressions of thanks to God. Because of the service by which you have proved yourselves, men will praise God for the obedience that accompanies your confession of the gospel of Christ, and for your generosity in sharing with them and with everyone else. And in their prayers for you their hearts will go out to you, because of the surpassing grace God has given you."

II CORINTHIANS 9:12-14

"He who is generous will be blessed, for he gives some of his food to the poor."

PROVERBS 22:9

# SCRIPTURAL INSIGHTS ON STRATEGIC GIVING

*Continued*

"Not that I seek the gift itself, but I seek for the profit which increases to your account."

PHILIPPIANS 4:17

"A tithe of everything from the land, whether grain from the soil or fruit from the trees, belongs to the Lord; it is holy to the Lord."

LEVITICUS 27:30

"Eat the tithe of your grain, new wine and oil, and the firstborn of your herds and flocks in the presence of the Lord your God at the place He will choose as a dwelling for His Name, so that you may learn to revere the Lord your God always."

DEUTERONOMY 14:23

"For if the willingness is there, the gift is acceptable according to what one has, not according to what he does not have."

II CORINTHIANS 8: 12

"Calling His disciples to Him, Jesus said, 'I tell you the truth, this poor widow has put more into the treasury than all the others. They all gave out of their wealth; but she, out of her poverty, put in everything--all she had to live on.'"

MARK 12:43-44

"And let the one who is taught the Word share all good things with him who teaches."

GALATIANS 6:6

"And Jesus came up to them and spoke to them, saying, 'All authority has been given to me in heaven and on earth. Go therefore and make disciples of all nations, baptizing them in the name of the Father and the Son and the Holy Spirit, teaching them to observe all that I commanded you; and lo, I am with you always, even to the end of the age. '"

MATTHEW 28:18-20

"But whoever has the world's goods and beholds his brother in need and closes his heart against him, how does the love of God abide in him?"

I JOHN 3:17

# CHILDREN & EDUCATION

## A BIBLICAL PERSPECTIVE

In contrast to material possessions and certain skills, character and values cannot be given or purchased. As Tim Kimmel says, "You can't leave character in a trust account. You cannot write your values into the will. You cannot bank traits like courage, honesty, and compassion in a safe-deposit box. What we need is a plan—a long-term strategy to convey our convictions to the next generation." What do you desire to teach your children? Are your current spending decisions—from buying their clothes to funding their education—furthering your desires? As you provide for your children, consider giving them more than just money, possessions, and opportunities. Leave them with a legacy of character and wisdom that can be passed down from generation to generation.

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"Good character ... is not given to us. We have to build it piece by piece—by thought, choice, courage, and determination."

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*John Luther*

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*"Train a child in the way he should go, and when he is old he will not turn from it."*

PROVERBS 22:6

# TRAINING YOUR CHILDREN - CONTRASTING MINDSETS

## WORLDLY MINDSET

## BIBLICAL MINDSET

Inheritance

PROVERBS 28:19  
ECCLESIASTES 2:18

Work

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Mediocrity

PROVERBS 22:29

Excellence

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Instant gratification

PHILIPPIANS 4: 11

Delayed gratification

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Get rich quick

PROVERBS 13:11/28:20

Grow little by little

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My generation

DEUTERONOMY 6:2

Transgenerational thinking

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My ownership

PSALM 24: 1

God's ownership

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Keep it all for myself

PROVERBS 22:9

Give graciously to others

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Do it my way

PROVERBS 12:15

Seek wise counsel

# TOOLS FOR EDUCATIONAL PLANNING

Education costs continue to rise and represent a significant investment. There are a number of alternatives for meeting education expenses. In addition to scholarships and loans, several planning opportunities exist to help fund post-secondary education.

## **Custodial Account**

This is an arrangement whereby an adult transfers assets irrevocably to a minor. Rather than giving assets outright to a child, a custodian (usually a parent) uses them on behalf of the minor until he or she becomes an adult. This allows a shifting of assets that may offer some tax advantages, subject to certain IRS limitations.

## **Education IRA**

Contributions may be made to an Education IRA for beneficiaries under 18 years old. Maximum contribution amounts and income limits do exist, but you also have the option of gifting money to a child who can then contribute for himself. Unlike traditional IRAs, where the contribution can be made until the filing of the tax return for the year, contributions to Education IRAs must be made by December 31.

## **Qualified Tuition Programs**

Many states have established these programs to provide incentives to save for college through tax-deferred plans. Many of these plans are available to residents of any state and can be used at any college. The taxes on earnings are paid at the student's rate when the funds are used. The person establishing the account retains control over the funds, and if the funds' are not needed for the child's education, they are returned to the account owner, and the earnings become taxable income. Most plans invest the assets in diversified mutual funds.

## **Irrevocable Educational Trust**

This type of trust is useful for those who want to remove assets from their estate, especially appreciated assets. The tax burden on income earned by the trust's assets is shifted to the trust or beneficiaries. At the termination of the trust, remaining assets not used to provide for educational costs are distributed to the beneficiaries as specified in the trust document.

## **Tax Law Provisions**

Current tax code also provides certain tax credits and deductions that can effectively reduce the cost of higher education subject to income limits.



## SCRIPTURAL INSIGHTS ON CHILDREN & EDUCATION

"He who works his land will have abundant food, but the one who chases fantasies will have his fill of poverty. A faithful man will be richly blessed, but one eager to get rich will not go unpunished." PROVERBS 28:19-20

"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

"Do you see a man skilled in his work? He will serve before kings; he will not serve before obscure men."  
PROVERBS 22:29

"I am not saying this because I am in need, for I have learned to be content whatever the circumstances."  
PHILIPPIANS 4:11

"Dishonest money dwindles away, but he who gathers money little by little makes it grow."  
PROVERBS 13:11

"...so that you, your children and their children after them may fear the Lord your God as long as you live by keeping all his decrees and commands that I give you, and so that you may enjoy long life."  
DEUTERONOMY 6:2

"The earth is the Lord's, and everything in it, the world, and all who live in it."  
PSALM 24:1

"A generous man will himself be blessed, for he shares his food with the poor."  
PROVERBS 22:9

"The way of a fool seems right to him, but a wise man listens to advice."  
PROVERBS 12:15

"These commandments that I give you today are to be upon your hearts. Impress them on your children. Talk about them when you sit at home and when you walk along the road, when you lie down and when you get up."  
DEUTERONOMY 6:6-7

# RETIREMENT

## A BIBLICAL PERSPECTIVE

The Bible is virtually silent on the concept of retirement, and makes no mention of ceasing work at age 60 or 65. As you approach retirement, don't look at it as an end, but rather, look at it as a beginning. It is the start of the next phase in your service in God's kingdom. With proper planning, you can have the financial freedom to use your talents and abilities to fulfill God's next purposes for your life, even after your primary career is completed. In a robust economy; many investors mistakenly believe that strong investment returns will continue, and that there is no need to plan or save for a leaner future. On the other hand, some investors are so aggressive when it comes to retirement savings that they rob themselves (and their families) of opportunities to enjoy life and be generous toward others. Neither extreme is healthy-and neither reflects wise stewardship.

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"Retiring at 65 is strictly an arbitrary idea, but it sticks in so many people's minds that they assume working after that age constitutes some kind of abuse of privilege."

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*Denton Cooley (age 74)*

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*". . . and let us run with perseverance the race marked out for us."*

HEBREWS 12:1

# PREPARING FOR RETIREMENT

## QUESTIONS TO CONSIDER

Should I retire from my current occupation?

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How does retiring from this occupation help me fulfill God's purpose in my life?

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When should I retire?

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How will I continue to provide for my family?

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What will I do next?

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# TOOLS FOR RETIREMENT PLANNING

U.S. tax policy has long encouraged people to save money for their retirement years by offering tax incentives. Generally, money is deposited into an investment account by an employer and/or employee and not taxed until the employee retires and begins to make withdrawals.

Traditionally, investors have had access to three primary types of retirement plans: Defined Contribution Pension Plans, Defined Benefit Pension Plans, and Individual Retirement Accounts (IRA). These retirement plan alternatives offer some significant advantages that should be considered in the financial planning process.

## **Defined Contributions Pension Plans**

The popularity of this type of plan has gained momentum in recent years. Several different types exist, all giving the contributor flexibility and control in directing a percentage of his/her compensation on a pre-tax basis into an investment vehicle that can be accessed at retirement. As an employee benefit, most employers will match a portion of the contributions based on overall company performance.

Some of the most familiar plans include: the 401(k), which is generally offered by corporations and businesses to their employees; the 403(b), which is similar to the 401(k), but offered to employees of not-for-profit organizations; the Keogh Plan, which is used primarily by sole proprietors, usually in the form of a profit sharing or money purchase pension plan; and the SEP (Simplified Employee Pension) used by the self-employed or companies with a small employee base.

## **Defined Benefit Pension Plans**

Prior to the introduction of Defined Contribution Pension Plans, this type of plan was predominately offered by corporations and not-for-profit organizations. These plans, much like annuities, offer employees a regular stream of income upon retirement. The employer contributes an "actuarially determined amount" sufficient to pay each participant a fixed or defined benefit at his or her retirement. Methods of defining the benefit may be based on a flat percentage of compensation, a percentage that increases with years of service, or a percentage that changes at certain compensations levels.

## **Individual Retirement Accounts (IRA)**

Saving for retirement can also be accomplished in a tax-deferred manner through an IRA, although the IRS has certain limits on the deductibility of contributions. IRAs are also frequently used to receive tax-deferred rollovers from other retirement plans when an employee changes jobs or retires. A newer variation is the Roth IRA. Unlike the traditional IRA, contributions to a Roth IRA are not tax deductible. However, money invested in this type of IRA still accumulates tax-free, and distributions are not taxable, provided IRS guidelines are followed.

## SCRIPTURAL INSIGHTS ON RETIREMENT

"Go to the ant, O sluggard. Observe her ways and be wise; which having no chief, officer, or ruler, prepares her food in the summer, and gathers her provision in the harvest."

PROVERBS 6:6-8

"Then I realized that it is good and proper for a man to eat and drink, and to find satisfaction in his toilsome labor under the sun during the few days of life God has given him-for this is his lot.

Moreover, when God gives any man wealth and possessions, and enables him to enjoy them, to accept his lot and be happy in his work-this is a gift of God. He seldom reflects on the days of his life, because God keeps him occupied with gladness of heart."

ECCLESIASTES 5:18-20

"And he said, 'This is what I will do: I will tear down my barns and build larger ones, and there I will store all my grain and my goods.' And I will say to my soul, 'Soul, you have many goods laid up for many years to come; take your ease, eat, drink and be merry.' But God said to him, 'You fool! This very night your soul is required of you; and now who will own what you have prepared?'"

LUKE 12:18-20

"With good will render service, as to the Lord, and not to men, knowing that whatever good thing each one does, this he will receive back from the Lord, whether slave or free. And, masters (employers), do the same things to them (employees), and give up threatening, knowing that both their master and yours is in heaven, and there is no partiality with Him."

EPHESIANS 6:7-9

"Do nothing from selfishness or empty conceit but with humility of mind let each of you regard one another as more important than himself; do not merely look out for your own personal interests, but also for the interests of others."

PHILIPPIANS 2:3-4

"I press on toward the goal to win the prize for which God has called me heavenward in Christ Jesus."

PHILIPPIANS 3:14

"I have fought the good fight, I have finished the race, I have kept the faith."

II TIMOTHY 4:7

# INSURANCE

## A BIBLICAL PERSPECTIVE

Insurance can act as a means of protection and provision for you and your family. Buying insurance does not signal a lack of faith. Rather, it simply demonstrates prudence and good stewardship in planning for an uncertain future. Problems can surface when too much or too little insurance is purchased. Our Scriptural responsibility is to provide for our families, not overprotect them. Leaving heirs "set for life" may not be the best plan for their future. Decisions regarding the amount of insurance to purchase should be based around current budget goals and family needs.

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"If a man doesn't believe in life insurance, let him die once without it. That will teach him a lesson."

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*Will Rogers*

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*"A prudent man sees danger and takes refuge."*

PROVERBS 22:3

# TOOLS FOR INSURANCE PLANNING

Today's insurance market is characterized by confusion and uncertainty due to the abundance of available products and the difficulty that can exist in comparing similar policies. In general, owning insurance is a way to minimize or control financial risk. There are many different types of insurance to cover multiple risks. Two main types of insurance are life and disability. Life insurance provides for the financial needs of one's family in the event of death, and can also provide estate liquidity. Disability insurance provides guaranteed future income if the policyholder becomes unable to work because of an illness or injury.

## **LIFE INSURANCE**

Life insurance plays an integral part in a sound financial plan. Buying it does not demonstrate a lack of faith, unless the amount purchased is so excessive that it causes the person to no longer be dependent on God. All life insurance companies deal with the same three components; mortality costs (probability of death), operating expenses and profits. Based on these three components; policy premiums are established. The insurance company collects premium payments and invests the funds to earn a profit. The company then uses the investment return and cash reserves to pay death benefits and operating and overhead expenses.

Life insurance needs are different for different stages of life. Typically, clients with a young, growing family have multiple financial needs (living expenses, debt repayments, children's education, and other personal goals), a greater need for long-term insurance. As net worth grows, the need for income replacement through insurance may decrease. Conversely, the need for life insurance for purposes of estate tax liquidity and flexibility may increase. An Insurance Needs Analysis can help match current needs to an appropriate level of coverage within the various types of insurance.

# TOOLS FOR INSURANCE PLANNING

*Continued*

## **DISABILITY INSURANCE**

This type of insurance replaces a portion of your income or salary in the event of disability.

Important factors to consider in evaluating disability coverage are:

**Amount:** How much of your annual income do you require in the event of disability?

**Definition of disability:** Does it pay only if you are unable to perform your own occupation or unable to perform any occupation?

**Renewal period:** Is it non-cancelable and guaranteed renewable (so *your* future health is not a factor in continued coverage)?

**Benefit period:** How long will you receive the monthly benefit once payments begin? The duration most commonly available is to age 65.

**Waiting period:** How long, after you become disabled, do you have to wait until you begin receiving payments?

**Partial disability:** Are any benefits provided if you are able to return to work part-time?

**Taxation of benefits:** If the benefits are received from a policy where the premiums were paid by your employer, the benefits are taxable. If you paid for the policy yourself, the benefits are non-taxable.

## **LONG-TERM CARE INSURANCE**

This type of insurance pays for the cost of various forms of extended nursing care. There are many levels of care, ranging from full-time care in a skilled nursing facility to part-time home care.

Some states even have special programs to protect personal assets from being eroded by long-term care costs. The premium cost for long-term care insurance is based on factors such as:

- Your age when you purchase the policy
- The per day dollar benefit outlined in the policy
- The waiting period before benefits begin
- The length of time that the policy benefits are paid

*(Note: Property, casualty, auto, medical and long-term care insurance policies should be reviewed annually by a qualified agent to ensure adequate coverage at competitive rates.)*



## GLOSSARY OF INSURANCE TERMS

**ACCIDENTAL DEATH RIDER:** Additional insurance available (often double the face amount) if the insured dies as a direct result of an accident instead of an illness.

**CASH SURRENDER VALUE:** The amount available in cash on voluntary termination of a life insurance policy before it becomes payable by death or maturity.

**CREDIT LIFE INSURANCE:** Term life insurance issued through a lender or lending agency to cover repayment of a specific loan, installment purchase, or other obligation in case of the debtor's death.

**DIVIDENDS:** Non-taxable return of excess premiums due to lower-than-expected mortality costs, administrative expenses, and higher investment yields. The dividends can be taken as a cash payment, used to reduce premiums, used to buy paid-up additional insurance, or used to purchase additional term insurance.

**FACE AMOUNT:** The amount stated on the face of a life insurance policy that will be paid in case of death or at the maturity of the contract. It does not include dividend additions or additional amounts payable under accidental death or other special provisions.

**GRADED PREMIUM WHOLE LIFE:** A whole life contract for which the initial premium is low, but increases yearly until it levels off sometime between the tenth and twentieth years.

**JOINT-AND-LAST SURVIVOR POLICY:** A policy issued on two lives under which the benefit is paid when both have died. Also commonly referred to as "second-to-die" policies.

**KEY-MAN INSURANCE:** Corporate-owned life insurance policies designed to cover the key employees; it may be written on a group or individual policy basis.

**LEVEL PREMIUM INSURANCE:** Life insurance for which the cost is distributed evenly over the premium paying period. The premium remains constant from year to year; it is more than the actual cost of protection in the earlier years of the policy and less than the actual cost in the later years. The excess paid in the early years accumulates a reserve.

**ORDINARY LIFE INSURANCE:** A form of whole life insurance with premiums due until the death of the insured or until the end of the mortality table used, whichever occurs first.

**PERMANENT LIFE INSURANCE:** A phrase used to cover any form of life insurance except term life. Generally this type of insurance accrues cash value (e.g., whole life).

# GLOSSARY OF INSURANCE TERMS

*Continued*

**POLICY LOAN:** A loan made by an insurance company to the policyholder against the security of the cash value of the policy.

**SINGLE PREMIUM WHOLE LIFE:** A whole life policy in which the initial premium, together with interest earnings, is sufficient to pay the cost of the policy over its lifetime.

**SPLIT DOLLAR:** An arrangement, typically between an employer and employee, under which both parties share the premiums, cash values, and death benefits.

**TERM INSURANCE:** Insurance payable to a beneficiary at the death of the insured, provided death occurs within the specified period; term life insurance does not have any cash value.

**UMBRELLA LIABILITY INSURANCE:** A supplemental form of liability insurance, available to individuals to protect them against claims in excess of the limits of their primary policies for claims not covered by their property and casualty program.

**UNIVERSAL LIFE INSURANCE:** A flexible premium life insurance policy under which the policyholder may change the death benefit (with satisfactory evidence of insurability for increases) and vary the amount of annual premium payments. Premiums (less expense charges) are credited to a policy account from which insurance mortality expenses are deducted and to which interest is credited at rates that may change from time to time.

**VARIABLE LIFE INSURANCE:** Life insurance in which the policyholder selects from a menu of underlying investments for the cash accumulation in the policy.

**VARIABLE UNIVERSAL LIFE INSURANCE:** A form of life insurance that combines the flexible premium features of universal life with the investment component of variable life.

**WAIVER OF PREMIUM:** A provision that waives payment of disability premiums during a period of total disability.

**WHOLE LIFE INSURANCE:** Insurance payable to a beneficiary at the death of the insured; premiums may be payable for a specified number of years (limited-payment life) or for life (straight life). The insurer guarantees the death benefit payment if the owner pays all premiums, regardless of the insurer's actual mortality or investment experience.

## SCRIPTURAL INSIGHTS ON INSURANCE

"Thus I hated all the fruit of my labor for which I had labored under the sun, for I must leave it to the man who will come after me."

ECCLESIASTES 2:18

"When there is a man who has labored with wisdom, knowledge and skill, then he gives his legacy to one who has not labored with them. This too is vanity and a great evil."

ECCLESIASTES 2:21

"Wisdom along with an inheritance is good and an advantage to those who see the sun. For wisdom is protection just as money is protection. But the advantage of knowledge is that wisdom preserves the lives of its possessors."

ECCLESIASTES 7:11-12

"It is good for a man that he should bear the yoke in his youth."

LAMENTATIONS 3:27

"But if anyone does not provide for his own, and especially for those of his household, he has denied the faith, and is worse than an unbeliever."

I TIMOTHY 5:8

# ESTATE PLANNING

## A BIBLICAL PERSPECTIVE

The manner in which you leave your estate—money, possessions and legacy—will have significant impact on your heirs. Besides distributing your assets, an estate plan can be used to communicate values and character. What do you want to communicate?

The inheritance that you leave your heirs is not only material, but also spiritual. If you plan to leave significant wealth to your children, make sure sufficient time has been spent instilling biblical wisdom on how to handle resources. The key to this is to verbalize your values while you are living, teaching your heirs to be productive and not consumptive.

Consider giving some assets early, before death, to assist with this training process. Passing an entire estate to children may not be wise in all cases. Refer back to the *Life Overview* diagram in the "Goals" section that depicts the need to build spiritual and social capital into children before leaving financial capital.

*Family conferences* can be an effective forum for inter-generational dialogue, acting as a training tool for the next generation as well as promoting family harmony.

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"If I would get to the highest place in Athens, I would lift up my voice and say, 'What mean you, fellow citizens, that you turn every stone to scrape wealth together, and take so little care of your children to whom you must one day relinquish it all?'"

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*Socrates (469 BC)*

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*"Wisdom along with an inheritance is good and an advantage to those who see the sun. For wisdom is protection just as money is protection. But the advantage of knowledge is that wisdom preserves the lives of its possessors."* ECCLESIASTES 7:11-12

## ESTATE PLANNING IDEAS & QUESTIONS

**READ: PROVERBS 13:22**

Estate planning balances family provision with charitable giving.

**READ: ECCLESIASTES 2:18-19**

The inheritance left to the next generation should be an amount that will not destroy self-esteem, marriages, work ethic, etc.

**READ: PROVERBS 11:4**

Your estate planning decisions may be your final testimony to your heirs.

**READ: LAMENTATIONS 3:27, PROVERBS 22:6**

Consider giving a portion of your estate away to your children while you are alive so that you can train and observe them.

**READ: LUKE 15:11-14**

In the parable of the prodigal son, we see the disappointing result of giving large sums of money to one who is untrained.

**READ: PROVERBS 22:6**

Teach your children financial stewardship. Look at your present family giving (e.g., allowances) as a discipleship tool. Help your children develop a plan as to how they will spend what you give them.

### **OBJECTIVES TO CONSIDER**

To what amount do you believe God wants to see your estate grow? Why?

What is your vision for the ultimate distribution of your estate?

If applicable, how are you currently discipling your children in the area of financial stewardship?

- How are you encouraging them to develop a spending plan that allows for giving and saving?
- How are you providing a good example for them to follow?
- What spiritual disciplines, abilities, or positive character traits do your children currently possess?
- How are you teaching them to be productive versus consumptive?

# ESTATE PLANNING CONSIDERATIONS

In evaluating your estate plan, it is important to determine exactly what you want to accomplish. Following are some considerations that should be part of every well-defined estate plan.

## **Financial Resources Distribution**

There are only four alternatives available for the final distribution of your financial resources;

- Family and friends
- Charity
- Government (taxes)
- Settlement Expenses

Plan this allocation after spending time with God. Try to quantify where your estate should ultimately end up, then estate documents can be drafted accordingly.

## **Estate Liquidity**

Liquidity provides the financial flexibility needed during the transition period immediately following one's death before assets can be officially transferred, retitled, and released. It also assists in preventing the sale of non-liquid assets during an unfavorable economic climate when they might lose their true value. In addition, liquidity may facilitate paying any necessary taxes and can make it easier to distribute an estate among several beneficiaries.

## **Ease of Estate Management and Administration**

The days and months following the death of a close loved one are emotionally overwhelming, but with expert counsel and solid estate planning, settling a loved one's estate can be handled efficiently and without the headaches that can come from lack of planning.

## **Care for Immediate Family and Grown Children**

When children are young, guardianship in the event of death of both parents must be addressed. Future educational, physical, mental and emotional needs must also be addressed. For grown children, there is a fine line between provision and protection. Provision should be to the extent that the child has the opportunity to trust God to work in his/her life. Become aware of the differences in children--differences in age, temperament, demonstrated ability to handle money, spiritual maturity, comfort with marriage partners, and their children. It is the responsibility of parents and grandparents to entrust God's resources to children only if they have demonstrated the ability to handle those resources in a manner that would be pleasing to the One who is the owner of it all.

# ESTATE PLANNING CONSIDERATIONS

*Continued*

## **CHARITABLE GIVING**

Implementing your desired charitable giving strategy can be accomplished in part through your estate plan. In large estates it is sometimes difficult to eliminate large estate tax liabilities without the use of charitable bequests. These bequests can be outright or in the form of various trusts. See the "Strategic Giving" section for more details.

## **YOUR PERSONAL TESTIMONY**

A will can provide a public record of your Christian testimony, not only for your children, but also for anyone else who reads the document, including attorneys, judges, accountants, and family members. A more detailed discussion of wills follows in this section.

## **FUTURE PLANNING FLEXIBILITY**

Because circumstances and desires change over time, make sure you prayerfully consider any irrevocable decisions within your estate plans.

## **ESTATE TAX PLANNING**

There are many technical aspects to estate planning, including numerous methods to minimize estate taxes. Current tax law allows each individual to pass a set amount to his or her heirs tax-free. This tax exemption is commonly known as the applicable exclusion amount or unified credit. In designing an estate plan, it is imperative that the ownership of assets and naming of beneficiaries be coordinated with the legal provisions included in your estate documents. This coordination is important because several assets, such as jointly-held property, life insurance, and retirement plans, pass directly to beneficiaries—regardless of the provisions of your will. Thus, even well-written estate documents (wills) can be ineffective without appropriate planning.

# TOOLS FOR ESTATE PLANNING

**TRUSTS** A trust is a vehicle that provides direction for the management and distribution of assets over a period of time. It can be used to help avoid probate costs and as an effective tax planning tool. A trust exists as a separate taxable entity and involves three parties: a trustor or grantor (the one who sets up the trust); a beneficiary (the one who receives some beneficial interest in the trust); and a trustee (the one who is responsible for managing the trust).

Many types of trusts exist to meet individual estate planning needs. The following are the most common:

## **Revocable Living Trust**

This trust is set up during the grantor's life and can be dissolved at any time. This trust provides privacy with regard to the distribution of estate assets because there is no court record made of those assets and their distribution. Additionally, it provides for ongoing management fees subtracted from the trust at the discretion of the grantor. The living trust is most beneficial for: reducing of the assets, should the grantor become incapacitated.

## **Marital Trust**

This trust, sometimes known as Trust A, is used to pass assets to a surviving spouse and is established through the will. In general, there is no federal estate tax upon the death of the first spouse. Thus, assets are received in this trust without taxation. The marital trust provides for ongoing administration and asset management on behalf of the surviving spouse.

## **Residual Trust**

This irrevocable trust is also known as Credit Shelter Trust, Trust B, Family Trust, Applicable Exclusion Trust. It is generally established after the death of the grantor and allows the estate to take full advantage of the unified credit or applicable exclusion amount. During the life of the surviving spouse, he/she can have full access to all of the income generated by the trust, but the principal is required to remain intact for the children. However, the tax code stipulates certain situations (health, education, maintenance and support) in which trust principal can be accessed by the trustee on behalf of the surviving spouse.

## **ANNUAL GIFT EXCLUSION**

The Annual Gift Exclusion is an excellent method to reduce the size of the taxable estate during one's lifetime. In 2005 each donor can make a \$11,000 gift to an unlimited number of recipients. For example, a husband and wife could jointly give a total gift of up to \$44,000 to each married child and their spouse.



# TOOLS FOR ESTATE PLANNING

*Continued*

## **WILLS**

### **Leaving a Legacy**

Your will provides written documentation of your wishes, thereby preventing the state of your residence from appointing executors, guardians, and trustees who are not known to you. A will is the basic building block of your estate plan. Its primary purpose is to provide for the distribution of your property and to appoint individuals and/or institutions to certain key roles. The type of will appropriate for your estate depends on the size and complexity of your individual financial situation.

### **Who's Who in Your Will**

Before drafting your will, you need to prayerfully consider the following appointments which are in every way as important as the technical decisions of how and when to leave your property:

**Executor:** The executor is responsible for assembling the property belonging to the estate; safeguarding and insuring the estate property during the period of estate settlement; temporarily managing the estate while it is being settled; paying estate taxes and expenses; accounting for the estate administration; and making distribution of the net estate to the heirs. The duties of the executor can be time-consuming, frustrating, and complicated. To a surviving spouse they can be overwhelming. In the will, a qualified individual or corporate trust company can be chosen to assist or fulfill all duties.

**Trustee:** The trustee is responsible for managing the amount of the estate left in trust via the terms of your will and making distributions accordingly. The trustee can be corporate (such as a bank) or individual. We recommend having an individual trustee; if a bank is named, make sure the beneficiaries have the right to replace the trustee to enhance your heirs' flexibility.

**Note:** The executor and the trustee can be the same.

**Guardian:** The guardian is someone you would feel comfortable raising your children if something were to happen to both of you. Consideration should be given to the financial situation of the potential guardian, his/her health, age, spiritual maturity, and the compatibility of his/her values with yours.

You should select one person for each of the above, as well as an alternate.

# TOOLS FOR ESTATE PLANNING

*Continued*

For larger estates, several other planning opportunities exist. Depending on your distribution objectives, some combination of the following techniques may be appropriate to consider:

## **INSURANCE PLANNING**

### **Irrevocable life Insurance Trust (ILIT)**

Life insurance proceeds are not considered taxable income, but they are part of the taxable estate. An ILIT removes the insurance proceeds from the taxable estate and transfers them to your beneficiaries, without tax consequences.

When funding an ILIT by transferring policies you currently own, you must survive the transfer by three years or the proceeds revert back to your estate. There is no survival period on newly issued policies.

The main disadvantages of the trust are the up-front administrative costs associated with the transfer, its irrevocability, and the potential lack of liquidity to the surviving spouse.

## **CHARITABLE PLANNING**

### **Retirement Beneficiary Designations**

Because most retirement assets have never been income taxed, they are subject to a double tax in your estate (income and estate tax). Depending on the size of your estate, this tax can be as high as 70%. However, by designating a charity as a contingent beneficiary (i.e., beneficiary after death of surviving spouse), you avoid both the income and estate taxes. The charity receives the full value of the gift.

### **Charitable Remainder Trust (CRT)**

The CRT allows you to transfer appreciated assets to a trust on behalf of a charity and liquidate them at no tax cost to you or the trust.

You also receive a current income tax deduction for the gift, determined by the annual payout rate and the term of the trust. The trust beneficiary, usually the grantor, receives a stream of income payments with the remaining trust assets or corpus going to charity at a specific period of time. The use of a CRT allows you to diversify your assets and potentially increase your annual income when compared to the low-yielding assets you may currently hold.

The CRT is irrevocable, so any gift made is no longer available for your personal use.

# TOOLS FOR ESTATE PLANNING

*Continued*

## **Non-Grantor Charitable Lead Trust (CLT)**

This trust has a pre-established annual payout rate that goes to the charities of your choice for a determined period of years, then the remaining assets transfer to your designated beneficiaries.

A gift to the trust offers you no tax deduction; however, net income earned on trust assets is taxed to the trust rather than to you personally and is offset by income distributed to charity. The investment return achieved by the trust assets-versus the payout rate to charity-will determine the ultimate value of the asset that transfers to your beneficiaries at the end of the trust term.

Because CLT payouts are made to charitable organizations rather than being paid out to you, the trust allows you to continue charitable giving on an annual basis, but shields your estate from the trust asset income.

The trust accounting can be somewhat complicated and requires ongoing administration. When contributing assets to a CLT, you make an irrevocable decision, which could create some inflexibility for future estate planning purposes.

## **FAMILY TRANSFER PLANNING**

### **Qualified Personal Residence Trust (QPRT)**

This trust allows you to place your primary and/or secondary residence in a special trust that passes the ownership of the residence to your heirs after a specified number of years. Because you are retaining the use of your home during this period, you obtain a sizable discount in the value of the gift versus the fair market value of the residence.

After the trust term is completed, your heirs become the actual owners of the residence. If your home appreciates in value in succeeding years, this simply adds to the value of the trust by shifting that appreciation out of your taxable estate. You may sell the residence during the trust term with no consequences if you re-invest the proceeds into a new residence.

You maintain the ability to deduct property taxes, and if you have a mortgage you may deduct the interest. Your heirs lose the stepped-up tax basis on the residence they would normally receive after your death. This results in a higher capital gain for them upon an eventual sale.

# TOOLS FOR ESTATE PLANNING

*Continued*

## **Qualified Personal Residence Trust (QPRT) continued**

After the trust term, you may arrange to continue to rent the home from your heirs, who are now the owners. For peace of mind, it may be appropriate to have a long-term lease agreement drafted at the time the trust is implemented.

## **Family Limited Partnership (FLP)**

In this technique, you form a partnership with other family members designed to transfer your holdings to them at a discounted rate.

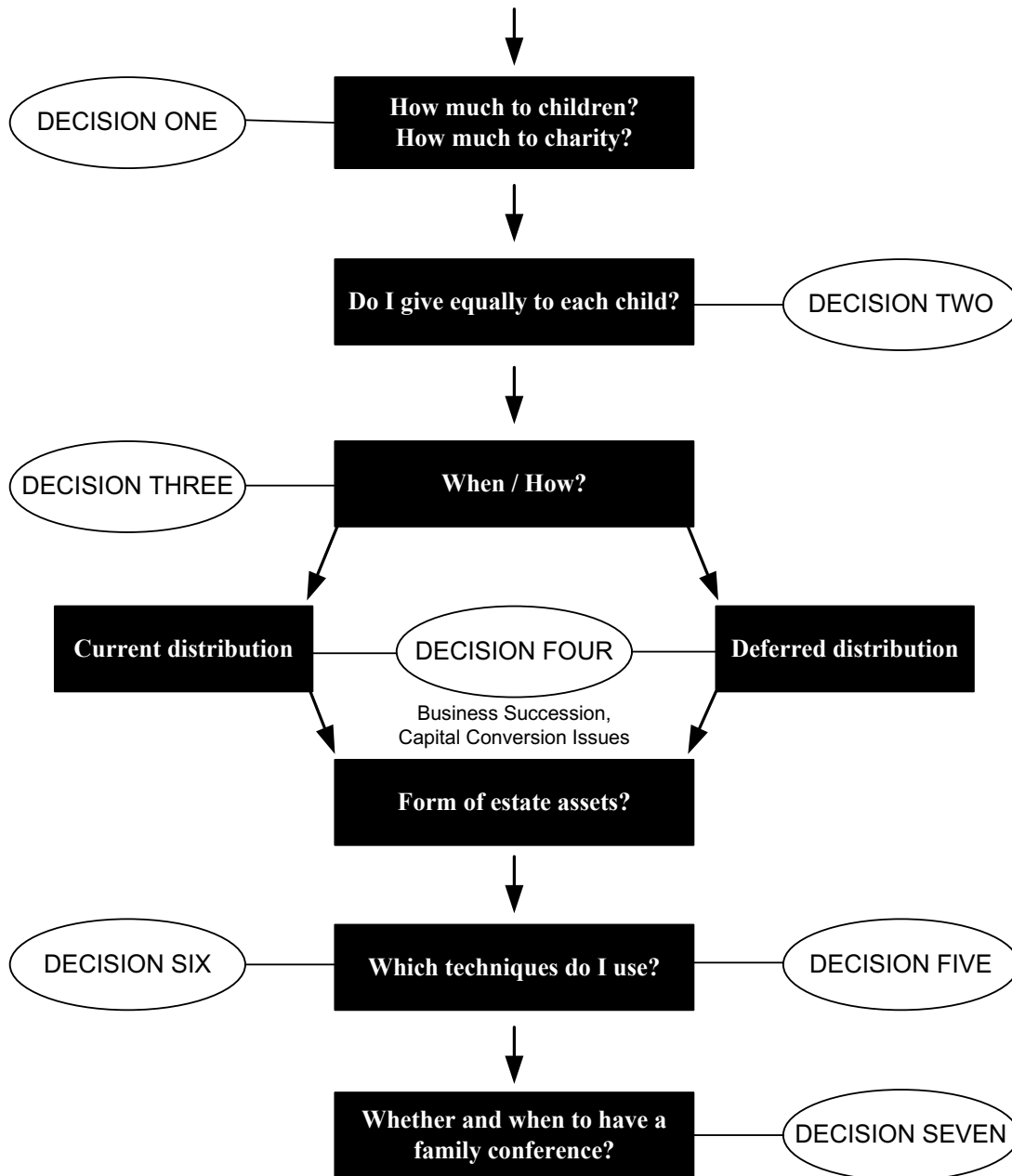
You can gift assets via limited partner interests, while maintaining control over those assets by retaining a general partner interest in the FLP. A limited partner cannot participate in the management of the FLP and cannot transfer his or her interest without the written consent of the general partner.

# ESTATE PLANNING DECISION MAKING PROCESS

Decisions regarding structuring an estate should be thought out using a process-driven approach rather than a product-driven approach.

*“Wisdom along with an inheritance is good and an advantage to those who see the sun. For wisdom is protection just as money is protection. But the advantage of knowledge is that wisdom preserves the lives of its possessors.”*

ECCLESIASTES 7:11-12



## GLOSSARY OF ESTATE PLANNING TERMS

**APPLICABLE EXCLUSION AMOUNT:** The amount of assets an individual can shelter from estate tax, from \$1,500,000 in 2005 increasing to \$2,000,000 in 2006 and \$3,500,000 in 2009 (followed by repeal in 2010 and reversion to pre-2002 law in 2011, an exclusion of \$1,000,000, unless changed by Congress in the interim). Prior to 2002 this exclusion was the same for gift tax purposes; the gift tax exclusion amount is fixed at \$1,000,000—once aggregate gifts in excess of annual exclusions exceed this amount gift tax will be payable. The amount of the gift tax exclusion used during life reduces the applicable exclusion amount available at death

**COMMUNITY PROPERTY:** Nine states currently recognize this type of ownership: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Generally, assets acquired during a marriage in the above states are considered community property, and so are equally owned by the spouses.

**ESTATE AND GIFT TAXES:** Property can be transferred during life or at death through gifts to non-charitable organizations or individuals. In each case, the transfer of that property could be subject to taxation. Each individual has a unified credit that will offset the first portion of tax. However, property transferred to charitable organizations, either during life or at death, escapes all estate and gift taxes.

**GRANTOR:** One who establishes a trust and transfers property to it.

**INTERVIVOS TRUST:** This is a trust set up during life. An inter-vivos trust can have two characteristics. It can either be revocable, meaning the trustor or grantor can revoke, amend, or restate the trust at any time and even take back the property once it has been transferred to a trust.

**JOINT TENANCY BY THE ENTIRETY:** A form of joint ownership restricted solely to spouses that does not allow for property to be obtained by one tenant acting alone. Property is transferred automatically to the surviving spouse at the death of the co-owner. Assets transferred in this way avoid probate.

**JOINT TENANCY IN COMMON:** A form of joint ownership in which two or more persons share an undivided interest in the property. At the death of a tenant, ownership transfers to that person's designated beneficiaries or heirs, not to the other joint owner(s).

**JOINT OWNERSHIP WITH RIGHT OF SURVIVORSHIP:** A form of ownership in which two or more individuals share an undivided interest in the property. At the death of one individual, ownership of the decedent's share transfers equally to the surviving owners. Assets transferred in this way avoid probate.

**MARITAL DEDUCTION:** Assets can be transferred between spouses during life or at death without the imposition of a gift or estate tax. There are no limits to the deduction for assets transferred between spouses. Utilization of the marital deduction generally allows a couple to defer federal estate tax until the death of the second spouse.

**POUR-OVER WILL:** This type of will simply leaves everything of the first to die to a revocable living trust that has already been established. The revocable living trust then provides for the formation of other trusts or the distribution of the estate.

# GLOSSARY OF ESTATE PLANNING TERMS

*Continued*

**PROBATE:** The process of determining the legality of a will and managing the transmission of the property from the decedent to the beneficiaries of the will, after the payment of debts, expenses and taxes.

**SIMPLE WILL:** Also referred to as an "I Love You Will," this type of will basically leaves everything to the surviving spouse with no trusts included for planning purposes.

## SCRIPTURAL INSIGHTS ON ESTATE PLANNING

"A good man leaves an inheritance to his children's children, and the wealth of the sinner is stored up for the righteous."

PROVERBS 13:22

"I hated all the things I had toiled for under the sun, because I must leave them to the one who comes after me. And who knows whether he will be a wise man or a fool? Yet he will have control over all the work into which I have poured my effort and skill under the sun. This, too, is meaningless."

ECCLESIASTES 2:18.19

"Riches do not profit in the day of wrath, but righteousness delivers from death."

PROVERBS 11:4

"It is good for a man that he should bear the yoke in his youth."

LAMENTATIONS 3:27

"Train up a child in the way he should go; even when he is old he will not depart from it."

PROVERBS 22:6

"Jesus continued, 'There was a man who had two sons. The younger one said to his father; 'Father; give me my share of the estate.' So he divided his property between them. Not long after that, the younger son got together all he had, set off for a distant country and there squandered his wealth in wild living. After he had spent everything, there was a severe famine in that whole country, and he began to be in need.'"

LUKE 15:11.14

"Their inner thought is that their houses are forever and their dwelling places to all generations. They have called their lands after their own names."

PSALM 49:11