Biblical Prosperity:
A Strategy for Estate Planning

Turn sound on

Click here to begin.

Introduction

- This presentation will show you how to make your accumulated wealth go further.
- This is a presentation on Estate Planning. We will primarily focus on how to reduce the tax burden to the money that you leave for your heirs
    - We will also show how this strategy can enable you to provide more money for charity, such as Arthur Bailey Ministries
- This is not some "get rich quick" scheme, some lofty dream or a scam
    - This is based on being a good steward with the resources that YeHoVaH has entrusted us with
- You don't need to have millions of dollars to make this plan work
    - Also, you can be single or married; young or retired
    - There is an assumption though that you are either earning money or have accumulated money.
- For the basics, we'll cover the three phases of financial planning and two Wealth Transfer Strategies
    - Each Financial Planning phase provides a solid foundation and ensures success for the next phase

Financial Planning Phase #1

- The Foundation Phase is where everyone starts. When you have a job, earn money, buy things, and establish checking, savings accounts. It's basically a foundation for your financial future
    - This phase has three attributes:
- Prepare: This is where we start saving for an emergency fund. It is typically in a savings account.
- Protect: As our assets grow and we start having others that depend on us , we look to obtain health, disability, and life insurance. Most employers provide these benefits
- Document: This is possibly one of the most overlooked items and will become important in a later phase. This attribute includes putting together a Will, specifying a power of attorney, and having a healthcare directive (living Will). We'll talk more about the Will later.

Financial Planning Phases

- The accumulation phase is as it sounds – you have been 'successful' in earnings and have been able to invest money and look forward to retiring
    - Many of us are currently in this phase or beginning to transition to the third phase of Financial Planning
    - During this phase, the goal is to be the ideal steward; to properly manage our cash flow
- This phase has four attributes:
    - Give: To charities, like House of Israel
    - Owe: Tax minimization and debt reduction
        - Minimizing one's tax burden is a key strategy we'll review later
    - Live: Achieve life goals
    - Grow: Short-term goals, college savings, retirement savings

Financial Planning Phase #3

- The distribution phase is the third and final phase of financial planning. This is perhaps the most important phase and we'll learn how to make our money that we received in the Accumulation Phase 'stretch' the farthest.
- This is the Legacy Planning and Wealth Transfer phase. We'll spend most of the remaining presentation discussing this phase.
- There are five attributes to this phase:

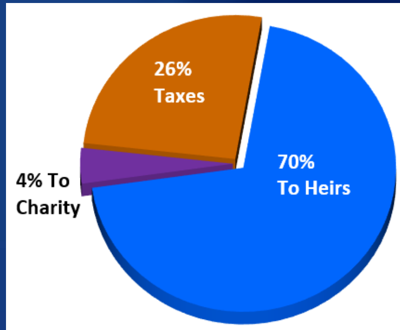
- Intent and Inspire along with stewardship ideals are the most important
- But, before we delve into how best to utilize the distribution phase, lets first look at two Wealth Transfer Strategies…

In the Wealth Transfer Strategy, we want the maximum amount of our money to go to our designees / beneficiaries.

- In order to accomplish this AND be the best possible stewards, our goal would be to give to charities and heirs and NOT to the government (in the form of taxes)
- As we'll soon see, most of us unfortunately will give a LOT of our money to the government when we go to sleep awaiting for Messiah's return
    - It's just something we don't think about or plan for – until now!
- We all know about income tax, but may not have a good idea as to what estate or inheritance taxes are
    - Although the amounts or percentages vary from state, most have estate and inheritance taxes in addition to income tax
    - The assets that are exposed to this type of taxes primarily are:
        - Real Estate, Bank accounts, personal property, etc.
        - These assets account for nearly one-half of the average American's wealth
- To help clarify, let's put our assets/money into three tax categories:
    1. Red – These are exposed to estate, inheritance, and income tax
    2. Yellow – Assets exposed to estate and inheritance
    3. Green – Almost no taxation when properly set up
- Similar to a traffic light, we want to get the green lights and avoid the red light as much as possible
- Let's take a look at what most people have….

Current Wealth Plan

Amount	Tax %	Tax $
Red Assets (IRA, 401(k), 403(b), etc.)		
$300,000	41.5%	$124,000
Yellow Assets (Real Estate, Bank Accounts, Personal Property, etc.)		
$200,000		
-$20,000 (10% bequest in Will)		
$180,000	4.5%	$8,100
Green Assets to Charity (Any asset designated to Charity)		
$20,000	0.0%	$0
Green Assets to Heirs (Family Farm, Life Insurance, etc.)		
$0	0.0%	$0



To Heirs	$347,900	70%
To Charity	$20,000	4%
Taxes	$132,100	26%
	$500,000	

www.ArthurBaileyMinistries.com

8

As previously stated, this is what most Americans have in place
- We have Red Assets that are comprised of our IRAs and 401Ks
    - This makes up about 60% of the average estate
    - But, it's also subject to the most tax!
- The accompanying tables and charts are based on total, combined assets of $500K
    - Please note that not everyone will have this amount, but the strategies still work since they are based on a percentage of total
- In our 'Current Wealth Plan' we will have about 10% going to a charitable organization, such as HOI.
    - Remember how we previously stated the importance of a Will? Here is where it comes into effect. If we want our money to work for the kingdom when we depart this world, it MUST be stated in the Will. Otherwise, our assets can get tied-up in probate and Uncle Sam and all billers will get their portion first. Even if your son or daughter remembered that you wanted 10% given to charity, it's too late. It can still be given, but it will be AFTER taxes and not before.
    - The remainder of our assets will go to our heirs / family and THEY would then be responsible for paying the high taxes
    - In most cases, the year in which your heirs received this benefit, it would put them into a higher IRS tax bracket and subject them to higher taxes for ALL of their income that year!!
- Here's how this looks:
    - Of your $500K in assets, you have $300K in your retirement accounts (IRA, 401K).
        - Remember these are Red assets and look at how much will go to taxes – 41.5% (This percent varies from state to state)
    - You have $200K in personal property and bank accounts. From your Will, you had 10% go to a charity, which reduces the overall taxable amount to $180K (in this example)
        - Note: Charities (like HOI) don't get taxed on donations and neither do you or your heirs! In this example, it actually works to lower the taxable amount.
        - These are Yellow assets and are taxed at a much lesser rate of 4.5% (again, that amount varies by state)
    - You have some green assets – the 10% that was given to charity
- Now for the not so good…
    - Over 25% of all your hard-earned money (and assets) will be 'confiscated' by Uncle Sam in the form of taxes!!
    - Although you avoided taxation on the 10% charitable donation, everything else was heavily taxed, thereby reducing the amount for your heirs!
- Next we'll look at our first strategy to reduce taxes…

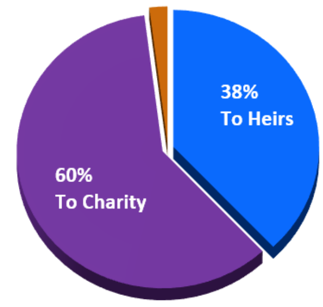
This is the first of two methods that illustrate how to reduce the amount of taxes that will be taken from your money.

- Remember that the Red Assets (our traditional retirement accounts) are the ones that are taxed at the highest rate
    - Our goal or aspect would be to reduce what is in these Red Assets and therefore reduce the amount of taxes
    - This strategy would leave only the Yellow Assets for the heirs which results in a lower overall taxation
- Also, remember that charitable giving isn't taxed
    - Our first look was giving 10% to a charity based on what was in the Will
    - A better method would be to change the beneficiary of your IRA and/or 401K (Red Assets) to a charity (HOI)
    - IMPORTANT NOTE: A beneficiary designation on an IRA or 401K takes precedence over anything in a Will!
    - By following this strategy, you would greatly reduce your taxable assets, give money to your heirs at a reduced tax rate, and be a great steward at the same time.
- Here's what this strategy looks like…

Wealth Transfer Strategy #1

Amount	Tax %	Tax $
Red Assets (IRA, 401(k), 403(b), etc.)		
$0	41.5%	$0
Yellow Assets (Real Estate, Bank Accounts, Personal Property, etc.)		
$200,000	4.5%	$9,000
Green Assets to Charity (Any asset designated to Charity)		
$300,000	0.0%	$0
Green Assets to Heirs (Family Farm, Life Insurance, etc.)		
$0	0.0%	$0

2% Taxes



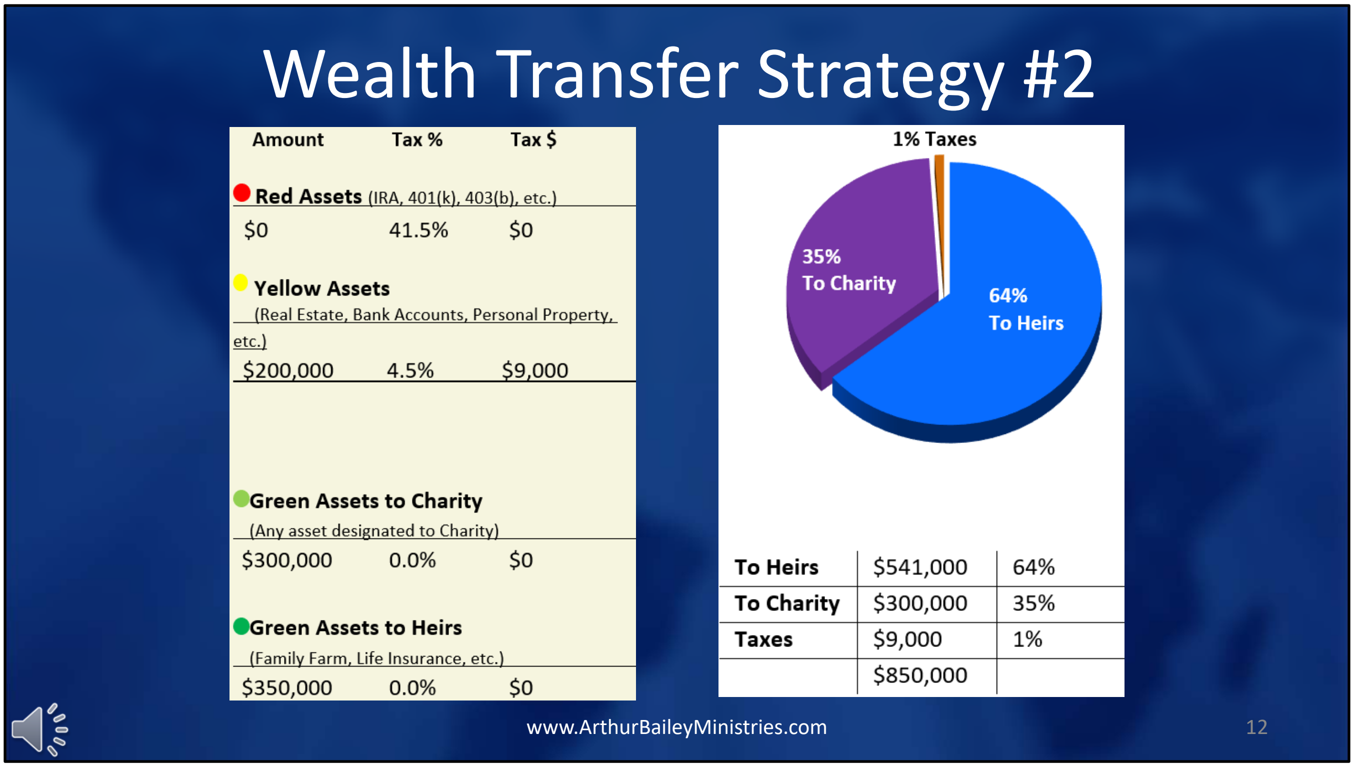
To Heirs	$191,000	38%
To Charity	$300,000	60%
Taxes	$9,000	2%
	$500,000	

www.ArthurBaileyMinistries.com 10

- So we can readily see that at the 41.5% tax bracket for the Red Assets, we wouldn't be paying any taxes!.
- For the Yellow assets, which will be left for our heirs, it's taxed at a lower rate of 4.5%
- So out of the $500K that we started with, we would now only be paying $9K instead of the 'normal' $132K. That's a savings of nearly $125K!!
- The pie chart and table shows the breakdown:
    - Instead of paying 26% total in taxes as before, we now only pay 2% (therefore, an additional 24% of our money goes to work to help take the Gospel to the ends of the earth!)
    - Another difference between this strategy and the 'do nothing' plan, is that your heirs would receive about $157K less while the charity receives over $280K more.
- At least, this should get you thinking about estate planning and associated tax strategies. Let's take a look at one more strategy…

In this strategy, we'll still be giving $300K to charity, but now we'll be providing an additional $350K to our heirs – **both tax-free**!

- Just as before, we would change the current beneficiary of your IRA and/or 401K (Red Assets) to a charity (HOI)
    - No 41.5% taxes
- Also, as before, we'll leave the Yellow assets to our heirs at a 4.5% tax rate
- The biggest difference is we'll now purchase Wealth Replacement Life Insurance Policy
    - Also known as Survivor Universal life
    - Life insurance is the only asset vehicle that doesn't have any taxes.
        - The policy will pay out to the designated beneficiaries and supersedes what the Will specifies
            - This policy doesn't need to be mentioned in the Will
- As previously mentioned, your heirs (policy beneficiaries) would receive the insurance benefits tax free
- Now we would need to analyze how to purchase such a policy
    - These survivor policies assume a life expectancy of 90 years
    - The most opportune time to purchase would be from 55-65 years of age
        - Can be younger or older; younger would pay a smaller premium, but over a longer period; older would pay a higher premium over a shorter period
        - The healthier you are, the lower the premiums will be.
    - Any recurring income / cashflow greater than daily needs can be used to pay for the premium
        - One method would be to use the amount you are required to withdraw from your IRAs at age 70 (Required Minimum Distributions)
    - As with most life insurance policies, you must be insurable (in reasonably good health)



- Just as the first strategy,
  - We have no highly taxable assets in our estate (Red Assets)
    - The $300K has been designated to HOI via beneficiary change (non-taxable)
  - The $200K (Yellow assets) is left to our heirs at a lower taxable rate (4.5%)
- The difference:
  - Now via the Survivor Universal Life policy, an additional $350K goes to our heirs / designees
  - This entire amount is tax free (green)
  - Can be set-up as a trust for minors
- The pie chart shows:
  - Although the same dollar amount goes to charity, it's a smaller overall percentage of total
  - The heirs get the Yellow Assets that has a smaller tax percent (about $190K after taxes) AND get the $350K for a total of about $540K!
- This strategy would represent the best of both aspects (heirs and charity) and enables the money to go farther and do more
  - It ideally minimizes what goes to the government in the form of taxes
  - We would all look forward to hearing Yeshua tell us: "…Well done, good and faithful servant…"!(Matthew 25:21&23)

What to do next…

- If you're currently in the foundation phase:
  - Ensure that you are taking advantage of your employer's financial benefits
  - Specifically, medical / dental / vision and 401K enrollment. Most companies offer a free matching 401K contribution; so try and contribute at least the minimum amount to maximize the employer contribution.
  - Remember that 401K pre-tax contributions reduce your overall federal tax burden every pay day!
  - Try to save 10% of your paycheck and put into a savings account
    - If you have sufficient emergency funds in this account, consider investing any amount over a set goal (i.e., $10K) into a Certificate of Deposit. These are FDIC insured, available through your bank, and offer a MUCH higher rate of return (interest rate) than a savings account does.
  - In parallel with this, don't neglect tithes and offerings, as YeHoVaH WILL bless you financially and in other areas.
  - Think about getting a Will.
- If you're in the Accumulation Phase:
  - Make sure to speak with a financial planner (more on this on the next slide). They will show you a portfolio of your assets, when you can retire and when would be best to commence getting Social Security payments. Remember that they should work for you. There is typically no charge up front; they're paid by a percentage of your asset growth.
  - Is your Will up to date? Most financial advisors can assist with legacy planning needs as well.
- If you're in the Distribution Phase or are at least 60 years old:
  - Speak with your significant other about your assets and how you both would like them allocated after you're deceased.
  - Put an action plan together with your financial advisor that includes a Wealth Replacement Life Insurance Policy (Survivor Universal Life)
  - Remember that we want to maximize our assets, minimize taxes, and make our money work for the Kingdom via the charitable donation methods outlined in this presentation

- Who: In choosing a financial advisor, you have many, many choices.
    - There are multiple entities that would love to get your money to invest!
    - Although they'll all promise to make you money; not all will have your best interests or your stewardship desires in mind
    - This is why you need to do a bit of researching. Your friends and family members may have recommendations of who to choose, but you'll need to discern carefully
- What: Ideally, you'd want a Hebrew Roots or Messianic affiliated financial advisor.
    - If you can find one – great!
    - Some may claim to have a Christian background, but just because they attend church every Sunday doesn't mean that their company's investment philosophy aligns with yours
- Where:
    - Remember that taxation laws are different for each state.
    - If you find that 'perfect' advisor, ask them if they are licensed for the state in which you reside (or are intending to move to)
- As an example, one such financial planning company is Ambassador Advisors
    - They are Biblically responsible investment strategists and fully understand the importance of charitable donations, Wills, and tax minimization strategies
    - They also provided the information that was used to develop this presentation!
- Additional information / brochures are available at HOI or you can call Ambassador Advisors directly (speak with Matt Knolle)

Congratulations!

- You now have the information to make your money go further for you, for your heirs, and for spreading the Gospel!
- Again, if this is too much information or is confusing, you can
    - Go through the presentation once more; consider printing out the Notes pages
    - Contact House of Israel for brochures
    - Also, contact a financial advisor such as one listed on the previous slide
- Pray to YeHoVah and seek his guidance on your financial assets and estate planning strategies.
- This concludes our presentation. Thank you for your time and Shalom!