

TALENTS

Wheaton College Gift and Estate Planning Newsletter

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Dear Friends,

Over the past year, many of us have learned to pivot in several aspects of life. In the midst of considerable change, we have learned to adapt and think outside of the box to come up with creative ways to accomplish goals.

When it comes to estate planning, it may be surprising to learn about the various expenses that could reduce the amount of an estate otherwise going to family and charities.

From possible taxes to probate costs and other fees, the types of expenses can be wide-ranging. They may also fluctuate based on locality, established estate plans, and the laws in effect at any given time.

While certain expenses may be unavoidable, there could be creative ways to efficiently avoid some costs through effective planning while also fulfilling charitable intentions. In this issue of *Talents*, we will detail some of the different expenses that your estate or loved ones may incur, as well as possible ways to decrease them while also maintaining gifts to family and remembering beloved charities too. We hope that you find it beneficial.

Lindsay Jurgensen

Lindsay Jurgensen
Associate Director of Gift Planning Services



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For Christ & His Kingdom



Estate Expectations

Understanding various estate costs and a few creative, charitable solutions to reduce them

COURT SUPERVISED ADMINISTRATION

The estate plan in place at the time of death will affect the type of administration that will be necessary. If a Will is the main dispositive instrument, court supervised administration of the estate, commonly referred to as “probate,” may be required. If there is no Will (or trust), court administration may still be required, and state law will determine estate distribution. Although probate ordinarily refers to court administration of an estate for a person who died with a Will, for simplicity’s sake, we will use the term to refer to any court supervised estate administration.

Probate expenses vary based on local law and custom. There are often court filing fees and costs to publish notice to creditors in the newspaper. Some state laws may indicate that the executor is to receive “reasonable compensation” for performing duties, so complicated or contested estates can incur more fees. Other states have mandatory fee schedules requiring that the executor receive a percentage of the value of the estate. Probate attorneys receive fees for their services, too; this could be as a flat fee, an hourly rate,

or possibly according to mandatory fee schedules. In addition, a surety bond may be required unless the Will waives it. It may also be necessary to pay for the services of real estate brokers and accountants.

An estate planning attorney can advise about alternatives to formal probate in your area, as well as ways to reduce assets subject to probate administration, like transfer-on-death or payable-on-death designations for bank or investment accounts, transfer-on-death deeds for real estate, and beneficiary designations for retirement assets. Alternatively, utilizing a revocable trust in your estate plan may avoid probate entirely.

A revocable trust (combined with a pour-over Will) can serve as a substitute for a Will if properly executed and funded. While a trust may not be appropriate for all estates, many find its advantages appealing: avoidance of probate for trust assets, asset management during incapacity, and privacy. Keep in mind that there will likely be attorney fees to initially establish the trust, for its ongoing maintenance, and to administer the trust at incapacity and death.

INCOME TAX

Leaving certain assets, such as a tax-deferred retirement account, to loved ones may trigger income tax liability for recipients. If adult children inherit a parent's traditional IRA, they will need to pay income tax on distributions, which could be substantial. If your estate planning goals include charitable giving, utilizing retirement assets may be ideal. Charities can receive these assets tax-free. Plus, other assets in your estate that do not trigger income tax for the recipient may be freed up for gifts to loved ones. If you'd like to provide a stream of income for a family member, you may want to consider a testamentary charitable gift annuity or charitable remainder trust funded with retirement assets.

ESTATE TAX

With such a high lifetime exemption amount (\$11.7 million), the federal estate tax is currently inapplicable to most people, but a proposed reduction to \$3.5 million could increase its applicability. Many states also impose their own estate or inheritance taxes. It is important to be aware of the tax laws applicable to you. An experienced estate planning attorney can assist with sophisticated options, such as a disclaimer bypass trust.

For the charitably inclined, since there is an unlimited federal estate tax deduction for transfers to qualified charities, those facing estate tax liability can make gifts and receive a charitable deduction, reducing their taxable estate and supporting important causes. There is a full deduction available for outright bequests and a partial charitable deduction for contributions to charitable remainder trusts and gift annuities.

CAPITAL GAINS ON APPRECIATED ASSETS

There are proposals that could eliminate the step-up to fair market value in the tax basis of capital gain property that an heir receives at the owner's death, thus subjecting these assets to capital gains taxes. If your estate would incur capital gains taxes on this type of transfer of appreciated assets, and you intend to remember charities in your estate plan, there may be charitable solutions. Through your Will or trust, you could leave assets that would have the original carryover basis to tax-exempt charitable organizations like Wheaton College. Or, you could give low-basis property to charities during your life. Feel free to contact our office if you have questions regarding the charitable options described above.

FREE ESTATE ANALYSIS

For those who have remembered or intend to remember Wheaton in their estate plans, we offer an [estate analysis](#) service through which we review your current plan as it is now and map it out in an easy-to-understand flow chart. We also provide suggestions and alternatives to any issues present in your current plan, which may include reducing or eliminating certain taxes and expenses. Please contact us to learn more about this service.

You can reach us by:

- Phone at 630.752.5332
- Email at gift.plan@wheaton.edu



Purposeful Planning

Annette, a proud Wheaton alum and faithful supporter, is in her mid-70s and enjoying retired life. Over the course of her successful business career, she amassed a considerable estate that far exceeds what she will need in her lifetime – including a large retirement account. She helps financially support her twin sister, who spent decades serving overseas. As Annette considered her estate planning, she knew that she wanted to continue to provide a source of income for her sister while ultimately making significant gifts to her cherished Christian ministries.

She decided to establish a testamentary charitable remainder unitrust (CRUT) funded with her sizable retirement account. At Annette's passing, the CRUT will make annual

payments to her sister for her sister's lifetime. At her sister's death, the remaining CRUT assets will pass to Annette's chosen ministries, including Wheaton College. Through her estate plan, Annette left various other assets outright to her sister, as well.

By utilizing retirement assets to fund a testamentary CRUT, Annette has preserved assets by avoiding income tax that would have been incurred if she left these assets outright to her sister. Annette has also controlled the ultimate charitable distribution of her retirement assets through the CRUT, ensuring that a substantial part of her estate will pass to her favorite charities rather than according to her sister's estate plans or state law.



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