

TheIRS, Heirs & Charity

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I have a very simple philosophy of Estate Planning. It is simply this; we make sure what people want to happen upon death and what will actually happen are one and the same. Yes, there are decisions one must make as they walk through the Estate Planning process, but many times the decisions become clearer because we are walking through the process.

I have seen people get stuck the thinking that if they leave money to charity, their family will get less. They can also get stuck in the thinking that they must give away their money to eliminate taxes.

We are actually overcomplicating a very simple matter. While traditional Estate Planning considers the many decisions that must be made so that estates and businesses can be transitioned in the most tax efficient manner, there are also many other issues that must be addressed.

The best way to start however, is not to look at the long list of decisions that must be made but rather to look at the 3 simple directions your estate can or rather will go based on the planning that has taken place.

The first one to the table upon the distribution of an estate is and always will be TheIRS. "They" are not only very interested but are very committed to making sure the Governments interests are pursued. To support this idea, consider that when a person dies without planning or rather without a will, they will probably pay the maximum tax possible because of the way the intestacy laws are written. Luckily, however, with proactive planning, you can take advantage of the many rules that have been created to minimize or even eliminate taxes. It is really very simple: No planning has the potential to equal Maximum Taxes to TheIRS.

The second but most common desired recipient of estate assets are heirs. With heirs as the desired recipient, a variety of decisions then need to be made like: Equal Distribution? Outright? Difficult to divide assets?, forced sales to accommodate taxes, debt or equalization?, Protected from Creditors or divorce?, special needs consideration?, etc. While all of these are important questions, they will get answered as a result of the estate planning process and should not hinder the start of the process. In essence, we have to trust the process to get us to the goal.

The third and less thought of recipient is charity. This is mainly because people see charity taking away from what a person can leave to their children. As long as it is seen as a competitive situation, many people stop any consideration for charity before the planning starts. The surprise I often run into is the fact that when charitable planning is considered, the heirs wind up with more. It is truly the law of reciprocity in action.

So, you have three possible recipients, The IRS, your family and charities that you care about. My encouragement to you is this. Trust the Estate Planning process to find the answers to not only benefit your family but also bless your charities as well. The possibilities are endless when you include Charities in your Estate Plan and with proper planning; your family has the potential to wind up with more.

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