STEWARDSHIP MINISTRY | TAYLOR UNIVERSITY
236 W Reade Ave, Upland, IN 46989 | taylor.edu
stewardship@taylor.edu

HOW DID YOU DO THAT?

When I was in personal practice, my clients and their advisors would see the bottom-line results of my comprehensive Master Stewardship Plan designs and they would often look at me in disbelief and ask, "How did you do that?" When they look at the financial outcomes, it seems to indicate that $2 + $2 = $11. But it was not "smoke and mirrors" and it was not "magic." What they were seeing is the effect of the careful and strategic integration of three powerful planning concepts – all combined into one carefully integrated Master Stewardship Plan. What they were looking at was not "too good to be true." It was, however, far better than they had ever seen before or ever imagined was even possible. Here is a very brief and general look at each of these three incredibly effective planning concepts that I would employ when I served our affluent Christian families.

Concept #1: Compression Planning

There are many creative and effective ways to "shrink" the size of various assets through what I would call Compression Planning. Depending on the particular asset, how title is held and the percentage of ownership, these discounts can often go as high as 50% or more, meaning, for example, a $1,000,000 asset could be reduced in value for estate tax purposes to as little as $500,000.

The IRS routinely accepts without question 35-40% total valuation adjustments on assets when proper compression planning strategies are utilized. Let's assume, for the sake of discussion, you could average a 40% valuation adjustment on estate assets. That means that you can effectively compress the value of your accumulated wealth to only 60% of its current value and subsequently reduce your estate tax liability on those assets by 40% as well. This planning concept is particularly effective and useful when you are trying to pass specific assets on to your heirs.

Concept #2: Charitable Planning

Unfortunately, this area of advanced planning still toady is the most under-utilized of the three concepts. Yet, in my opinion, it is the most powerful for several reasons. Because few wealthy families and their advisors are intimately familiar with these very effective planning tools and their many and varied strategic applications in the wealth planning process, they routinely overlook these tools during their planning considerations. Additionally, often a family's advisors tend to carry a general, negative bias against charitable planning that prevents them from objectively evaluating the effective use of these powerful planning tools and techniques in their overall planning.

These charitable planning tools open up possibilities for creative and positive planning results while creating maximum impact from your wealth. These tools can enable you to completely zero out your estate taxes, eliminate all future capital gains taxes and even substantially reduce current income taxes year after year for charitable giving that may often not even happen until after you relocate to be with the Lord.

These tools allow you to divert millions of dollars to ministries that would otherwise end up with the IRS in various taxes both during your lifetime and at death. Utilizing these tools will enable you to instead self-direct these millions of tax dollars to the ministries that you personally care about **without reducing or eliminating your children's inheritance**. These are the tools that make the estate planning process fun, exciting and fulfilling. Any wealth plan that doesn't use one or more of these planning tools simply will not be as financially effective or as personally rewarding as it could be.

<u>Concept #3: Leverage Planning</u>

There are a number of techniques and strategies that can be used to leverage your wealth producing substantially greater planning results when they are effectively incorporated into the Master Stewardship Planning process. Unfortunately, as with the charitable planning concepts, both the affluent family and their advisors often have major misunderstandings of the proper and various leveraging techniques and tools and, consequently, carry a strong but unnecessary negative bias against them. As a result, they often avoid them altogether which greatly diminishes the overall effective leverage of the family's financial capacity.

Let me give you one example. Consider the idea of incorporating life insurance into an overall, master plan. This suggestion often creates a negative reaction to some extent from some family member or one of their advisors – primarily due to one or more misunderstandings of the appropriate purpose and use of insurance products in strategic planning.

Let me give you two common scenarios with wealthy families. First, a wealthy businessman wholly rejects the need for any life insurance in any amount because he is now independently wealthy. Why would he need insurance now? He is worth millions. His wife and children (who are usually already grown and gone from home) will be more than adequately cared for in the event of his death. When he was younger and less well off, insurance made sense to take care of them, but not now. In this scenario, this man is clearly correct in his assessment that he no longer needs life insurance to protect his wife and family. For this reason, he is absolutely correct. He no longer needs life insurance. And since he no longer needs it for this specific reason, he mistakenly concludes that he no longer has any need or use for it for *any* reason.

In a second scenario, and one to the other extreme, we find many wealthy people have been effectively persuaded by one or more of their advisors that they should acquire a multimillion dollar life insurance policy in order to "discount" the cost of the estate taxes. (The premiums on the insurance contract are indeed much cheaper than the estate taxes due.) This is a very common and very traditional approach to estate planning. The acquisition of life insurance for this purpose does, indeed, effectively leverage the person's wealth by using "discounted dollars" to pay the onerous estate tax burden their estate will bear. Unfortunately, they have not solved the estate tax problem with this strategy, they have simply figured out a way to reduce the cost of paying the tax bill. However, a vastly superior option would be to design a Master Stewardship Plans that would eliminate the estate taxes altogether, subsequently eliminating the need for life insurance to pay estate taxes.

The elimination of the estate taxes liability through strategic Master Stewardship Planning allows the family to now be extremely creative with the leveraged use of life insurance in the overall planning process. Now, when it is appropriate, maximum planning leverage can be achieved through the proper and creative uses of life insurance.

Combining the Three Concepts

Each one of these three planning concepts by itself is extremely powerful and effective. But when any two of these three techniques is utilized in tandem, there is an exponential increase in their combined effectiveness. And when you can creatively combine all three of these powerful planning concepts into one comprehensive plan, the bottom line results are often absolutely beyond belief.

The most effective Master Stewardship Plan will utilize and integrate all three of these planning concepts together in any number of possible planning combinations, producing the best possible bottom-line results for our families. "How did you do that?" The answer is really quite simple. Take a comprehensive planning approach, utilizing all three of these powerful planning concepts to develop an overall Master Stewardship Plan.

ABOUT THE AUTHOR — E. G. "JAY" LINK

Jay Link, Director of Stewardship Planning at Taylor University, spent 35 years counseling Christian families to build customized Master Stewardship Plans. He is an author, a mentor to hundreds of financial advisors and attorneys, and started his career as a pastor. His passion is helping Christian families use all the Lord has entrusted to them for Kingdom-building purposes.