



DOING THE MOST GOOD[®]

WESTERN MICHIGAN/
NORTHERN INDIANA DIVISION
Spring 2014

FRIENDS OF THE ARMY

ESTATE AND FINANCIAL PLANNING IDEAS

♣ SORRY, KIDS . . . YOU'VE BEEN UNINTENTIONALLY DISINHERITED

Have you taken a look at your estate plan lately? If you're smart, you probably have a will and/or a revocable living trust. But important assets – life insurance, pay-on-death



accounts, jointly owned property and, in particular, retirement accounts – most likely will pass outside your will or trust, through *beneficiary designations*.

Beneficiary designations can present a variety of tax and legal traps that may frustrate your estate distribution plans. The Salvation Army has a new

publication on these challenges and how to avoid them: *Tips and Traps When Naming Your Beneficiaries*. Just send back the enclosed form for your free copy.

Take the case of Sam, a widower who remarried several years before his death in 2013. Sam wanted certain assets to pass to his two children, rather than to his new wife, Emily. Sam named his son as beneficiary of a \$1 million life insurance policy and his daughter as beneficiary of his 401(k) plan (also worth \$1 million).

When Sam died, his son received the life insurance proceeds without problem, but Sam's daughter legally was entitled to nothing from the retirement plan. Under federal law, a surviving spouse is automatically entitled to receive qualified retirement plan assets, regardless of death beneficiary designations, unless he or she has signed a waiver. A waiver signed prior to marriage is not effective, since the individuals are not spouses until after the wedding.

(continued on page 3)



Send for our **FREE** publication, **TIPS AND TRAPS WHEN NAMING YOUR BENEFICIARIES**





RATE YOUR ESTATE PLAN

Here is a quick way to rate the effectiveness of your current estate plan. Add up your score and rate yourself on the plans you have made for disposing of your estate and protecting your beneficiaries' security.



MISSION STATEMENT

The Salvation Army, an international movement, is an evangelical part of the universal Christian church. Its message is based on the Bible. Its ministry is motivated by the love of God. Its mission is to preach the gospel of Jesus Christ and to meet human needs in His name without discrimination.

Will/Living Trust. Score ten points if you have a will or living trust. Persons who have revocable living trusts still need wills (to dispose of assets not placed in trust and to name executors or guardians). Add five points if you have stored your will or trust document in a fire-safe place and notified responsible people of the location. Add five points if you review your will or trust every year to ensure it remains up to date.

Life Insurance. Do you have enough protection for your beneficiaries? Does your life insurance still serve its original purpose? Score five points if you have reviewed your life insurance coverage in the last year.

Health Care Decisions. Give yourself five points if you have a living will or health care power of attorney (arrangements for making health care decisions if you are incapacitated).

Disability. Add five points if you have established a trust or general durable power of attorney that allows others to make financial decisions for you if you become incapacitated.

Special Beneficiaries. Subtract five points if you have not established trusts or other arrangements to provide for beneficiaries (if any) who need special care.

Business Interests. Subtract five points if you have not arranged for an orderly transfer of business interests (if any) at death, including payment of "death taxes."

Net Worth. Add five points if you can estimate, within \$20,000, your current net worth. Subtract five points if you have not determined whether your estate will be affected by state or federal taxes.

Worthwhile Causes. Give yourself two bonus points if you have arranged through your will, trust or life insurance to continue your support for worthwhile causes and institutions such as The Salvation Army after death.

Score _____

Score _____

Score _____

Score _____

Score _____

Score _____

Score _____

Score _____

TOTAL SCORE:

35 – 42, excellent;

30 – 34, good;

25 – 29, fair;

less than 25

(or if you had to subtract points), see an estate planning adviser at an early opportunity!

TOTAL _____



(continued from page 1)

🛡️ SORRY, KIDS . . . YOU'VE BEEN UNINTENTIONALLY DISINHERITED

Suppose Sam had not remarried, or that Emily had signed a spousal consent form allowing Sam's daughter to receive the \$1 million 401(k). Would Sam's intentions now be carried out? Unfortunately, his daughter will owe income taxes on everything coming out of the 401(k) plan, while the life insurance proceeds will pass 100% tax free to his son.

These situations obviously can spoil your planning. Check with your advisers to determine if your estate plan takes taxes and other state and federal laws into account. And be sure to send for *Tips and Traps When Naming Your Beneficiaries*.

🛡️ DON'T FORGET TO PLAN YOUR DIGITAL ESTATE

Uncle Willie was an accomplished amateur photographer who transferred thousands of photographs and videos to digital storage in "the cloud." He also did all his banking, investing and bill paying online. In recent years he wrote his memoirs and traced the family's ancestry back more than 200 years – all preserved electronically.

When Uncle Willie passed away, his executor and surviving family members were vaguely aware that he possessed important online assets and accounts, but they didn't have a clue as to the passwords or how to access his email and contact lists. They finally hired a company that helped dig out the details on Uncle Willie's "digital estate," but it was a costly and time-consuming procedure.

A better plan for Uncle Willie would have been to supply his executor, standby trustee or other trusted person with information about all his online storage and accounts, together with the necessary passwords and access codes. Details of one's digital estate should be included in the estate inventory prepared when making or revising a will or revocable living trust. You should take care to store your "digital estate inventory" in a safe place, such as a safe deposit box. Your executor or trustee should be given power of attorney to access and administer your digital assets and accounts.

Note: Several companies, such as SecureSafe and Legacy Locker, offer to assist with storage of passwords and digital estate inventories and at death will provide that information to the designated "trusted person."



Some people's legacies are engraved on monuments, but yours can be written on lives.

THE TOP FOUR ASSETS TO LEAVE TO THE SALVATION ARMY

People who value the work of the Army often decide to include us in their estate plans through wills, living trusts and beneficiary designations on life insurance, retirement and financial accounts. While most of our friends simply leave a dollar amount or a percentage of their estates, bequests of certain assets, known as “income in respect of a decedent,” may have a greater impact:

1. **U.S. savings bonds.** Your heirs would face income taxes and possibly state or federal estate taxes on these assets, but bonds you leave to the Army in your will would pass tax free.

2. **Retirement accounts.** You can name us to receive part or all of an IRA or qualified retirement plan – and avoid all taxes. Just ask for a new beneficiary form. If you are married, your spouse will need to sign a waiver, except for IRAs.

3. **Accounts receivable of professionals and business owners.** Accounts receivable are 100% taxable to a person’s estate or the beneficiary who receives the accounts – unless that beneficiary is a tax-exempt organization, such as the Army.

4. **Other “tax burdened assets.”** Installment sale notes, accrued royalties and renewal commissions of insurance agents also avoid tax when used for charitable bequests.

The experienced staff of our Office of Planned Giving is always happy to help you plan gifts from your estate plans. We also are always deeply grateful when friends inform us of gifts that they have made, or intend to make, from wills, trusts or beneficiary arrangements.



From the Office of Planned Giving

This newsletter contains a headline: “Providing Help for Those Who Need It Most.” That is what we do. In this letter we provide help and information in another context – your personal planning and key financial or estate issues. Please contact us if you want more information about such matters – or, to find out more about the work of The Salvation Army. We also hope you will send for our booklet, *Tips and Traps When Naming Your Beneficiaries*.



Rich Dorsey, CCNL
Planned Giving Director



Steve Francis, JD, LLM
Senior Planned Giving Advisor



Stephen Sundquist, M.Ed., M.Phil.
Planned Giving Advisor

Please call our office for the appropriate wording whenever you are preparing a gift through your will, living trust, IRA or other beneficiary designation.

The Salvation Army Office of Planned Giving

1215 East Fulton Street • Grand Rapids, Michigan 49503
(616) 459-3433 • www.tsapg.org

The purpose of this brochure is to provide accurate information of a general character only. For specific recommendations, each person should consult his or her own qualified professional adviser.

PROVIDING HELP FOR THOSE WHO NEED IT MOST

The generous support of so many friends of the Army truly transforms lives – of that you can be sure. To give you just one example of the kind of life-changing help your gifts will provide, we want to share with you the story of 15-year-old Ben.

Ben came home from school one day to find his family's home padlocked and his family gone. He never saw them again. Where they went and why they left him remains a painful mystery.

Ben camped out on friends' couches, every day getting up and going to school. Before long, though, he had exhausted his friends' hospitality. He began hanging out in an all-night fast food restaurant. He would wash up in the morning in the restroom and head out to high school. But soon his constant presence was noticed by the restaurant's manager and he was asked to leave.

As the cold weather set in, one night a team of volunteers from The Salvation Army went out to look

for homeless people and offer them shelter. Behind a dumpster they found a teenage boy, shivering, hungry. It was Ben. He had been living there, getting up every morning, cleaning himself as best he could, and dutifully going to high school.

This young man may have lost his family but he found a new one in The Salvation Army. We gave him shelter, food, clothing and caring. The Salvation Army helped him find a permanent, safe place to live. Now, rather than using all his remarkable intelligence and energy to figure out a way to survive, Ben can devote himself to his education and create the life that he deserves.

To be home to the homeless, friend to the friendless, protector of the vulnerable – that's The Salvation Army.



- Providing Help for Those Who Need It Most
- The Top Four Assets to Leave to The Salvation Army
- Don't Forget to Plan Your Digital Estate
- Rate Your Estate Plan
- Sorry, Kids . . . You've Been Unintentionally Disinherited

Inside this Issue of
FRIENDS OF THE ARMY

Western Michigan/
Northern Indiana Division
Office of Planned Giving
1215 East Fulton Street
Grand Rapids, MI 49503

**DOING THE
MOST GOOD.**

