



# THINKING BEYOND...™

## You Just Can't Keep it All!

The Federal Government has very effectively designed the tax laws so that, no matter how creative or how ingenious your planning, you will *not* be able to keep everything you accumulate for yourself and your heirs without leaving something to support the general welfare of our country and/or mankind. It simply cannot be done. You cannot enjoy all the benefits this country has to offer, including the opportunity to become wealthy, without putting something back of what you have taken.

For example, consider estate taxes. You have amassed a sizeable estate, and when you die the government says that anything over your \$600,000 credit will be taxed up to a maximum 55% rate. That means that 55 cents of every dollar you have accumulated you will not be able to keep for your heirs. This money is what we call *Social Capital*. This is the part of your estate that you accumulate but cannot keep beyond your own lifetime.

Because the only two things that are certain in life are “death and taxes,” most people think, consequently, there is nothing that can be done about estate taxes. So, they grudgingly accept what they consider to be the only option for disposing of their *Social Capital*—paying it all to the IRS.

However, to many people's surprise, this is not the only option for their *Social Capital*. In fact, paying the IRS is what we call exercis-

ing the “default option.” You do nothing and the IRS will collect all your *Social Capital* without even so much as sending you a thank you note.

The other option for your *Social Capital* (that which you cannot keep) is elect to bypass the IRS and, instead, give the money directly to organizations that provide a social good to our country, avoiding a tremendous loss of these funds to government administration and waste.

So, you actually have *two* options, (1) the default option which is to give it all to the IRS, or (2) the self-directed option allowing you to give your *Social Capital* to the organizations that you believe best support the general welfare of our country. I am yet to meet anyone who, when presented with these two options for their *Social Capital*, chooses to still exercise the default option.

The amazing fact is that by choosing the self-directed option for your *Social Capital* the government has designed the income and estate tax laws in such a way as to reward you for making the effort to exercise this alternative option. Consequently, you end up with more personal capital during the rest of your life, *and* your children are able to actually “recover” the lost *Social Capital* through the use of an Asset Replacement Trust.

One recent *Family Wealth Plan* we just delivered to a client illustrates the tremendous leverage that is possible with choosing the self-directed *Social Capital* option:

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They also liked the idea of setting up a family foundation and allowing their children to retain the control of all of their Social Capital.

You Just Can't... *continued from page one...*

	<b>Default Social Capital Planning</b>	<b>Self-Directed Social Capital Planning</b>
Income to Owners	2.5 Million	3.6 Million
Benefit to Heirs	1.9 Million	6.2 Million
Social Capital	1.9 Million	4.1 Million

You can see what we mean. *First*, our country ended up when over two million more dollars being contributed to the general welfare. *Second*, they avoided (a) the loss of a huge percentage of their *Social Capital* to government administration, and (b) their *Social Capital* will not be put into programs that in many cases only further weaken the infrastructure of our culture and our society.

It has been said that only about 25 cents of every estate tax dollar ever really hits the streets to do some good for the people. If, however, that money would go directly to charity, bypassing the government, the amount that hits the streets to do good might be as much as 75 cents on the dollar. Using the above client as an example, instead of only \$500,000 actually doing social good, they

have created over \$3 million that will make a meaningful difference. That is a whopping six fold increase! These spectacular figures just cannot be ignored, especially by people who really do care about the future of this great country in which we live.

But, not only have these estate owners chosen a superior option for the use of their *Social Capital*, the leverage created by exercising this option ballooned the inheritance to their children to actually exceed the original value of the estate. And our clients will add over \$1 million more net, spendable income over the rest of their lives.

Why should you work so hard to keep the government out of your pocket during your working years only to quit the game right at the final whistle and voluntarily give up over half of what you have worked so diligently to accumulate? Why not let us help you finish the game with the same creativity and finesse with which you played it during your life? It could be to everyone's benefit if you did.