Wordell
Law
Group

Answers to the Top 10…

Most Commonly Asked Questions

1. This all too good to be true?

This is unquestionably the most commonly asked question of all. People think we are doing something that will work only if the federal government does not find out about it. These planning tools and techniques are not "loop holes" that the IRS will discover and close down. All are approved and identified in IRS Code Sections 170, 501(a), 509(a) 664 and several more. In fact, the government is so anxious to revitalize our country thorough private philanthropy that in recent years they have actually drafted new legislation to make charitable estate planning even easier for people to use.

2. How long have these trusts/foundations and tax reduction tools been around?

In 1917, congress enacted the first legislation providing for the deductibility of charitable contributions by individuals for federal income tax purposes, the Revenue Act of 1917. Shortly after this act many of the well know foundations were formed like the Rockefeller, Carnegie and Dupont Foundations. In addition, even more extensive charitable gift laws were established by the Tax Reform Act of 1969.

3. Are these techniques you have presented legal?

Not only are they legal, they come right out of the heart of the IRS Tax Code, Sections, 170, 501(a), 509(a) and 664 are just a few. The legality of these tools is not questioned in any way by knowledgeable tax advisors. The IRS has set up stringent rules on how these tools are to be drafted and administered.

4. Why have I never heard of this type of planning?

It wasn't until 1983, during the rise of computer technology, that much of the analysis and maintenance software was developed to illustrate the incredible potential of these various tools. It wasn't until 1987 that a specialized charitable administrative firm came into existence with the administrative computer technology to make these tools available and affordable for virtually any American who has at least $2,000 annually to invest. In recent years, articles on these charitable tools continue to appear in virtually every financial and business publication from the *Wall Street Journal* to *Money Magazine* and books like *"The Roaring 2000's Investor*".

5. If these tools are so good, why haven't my attorney, accountant or other financial advisors ever told me about them?

Your financial advisors most likely know something about these charitable tools, however, since Charitable Estate Planning is not their specialty, they are not prepared to present them to you. They may not have mentioned the tools to you, primarily because they do not really know what to do with them. Unfortunately, most of these professionals have not come to fully understand the broad application of these charitable (tax reduction) tools to all aspects of the estate and tax planning process. Many advisors have not been trained in this specialized area. They have not fully comprehended the deeper dynamics of the social and spiritual aspects of Family Wealth Counseling that makes these tools so very desirable for clients. They only see them as charitable giving tools and not as the versatile *Wealth Enhancement and Preservation* tools which you have seen demonstrated.

We regularly have Attorneys, CPAs, trust officers and other financial professionals consult with us to become more familiar with this specialized area of Family Wealth Counseling.

6. Who else is doing this kind of planning?

As you might expect, the wealthiest people in America have been using these tools almost since their creation. Recently, thousands of additional Americans have been able to take advantage of theses tools in the design of a well structured plan. Considering the number of advisors who are utilizing these tools on a "regular basis", we estimate there are fewer than 14% nationwide.

7. Where can I get more information on these tools?

We can provide you with complete information on these tools. For additional technical details on these charitable tools see IRS Publication 526, *Charitable Contributions: Income Tax Aspects,* published by Barbara L. Kirsdchten, Esq., of Shea & Gardner, Washington D.C. and *Tax Economics of Charitable Giving,* published by Arthur Andersen & Co. Also, you will enjoy *The Roaring 2000s Investor (Strategies for the Life you Want*) by Harry S. Dent, Jr., and *Getting to the Heart of the Matter* by Jay Link.

8. What happens if the tax laws change?

It is unlikely that the Federal Government is going to change the rules on the very wealthiest in the country, the Rockefellers, Carnegies, Duponts, etc. These laws have been in place for nearly one hundred years. Typically, whenever the IRS changes a tax law, it is not retroactive. In other words, they change the law to go into effect from date of change on.

> Since the charitable tax law has continued virtually untouched since its establishment in 1917, and since other tax laws change almost annually, this is a clear indication that the charitable area of the tax law is one of the safest and least volatile parts of the entire tax code.

As an illustration, even in President Clinton's 1993 tax bill, the only change that directly impacts this kind of planning is that people who transfer highly appreciated assets into an Charitable Remainder Trust will not have that transfer included as a preference item for Alternative Minimum Tax calculations. This means that many people will receive an even greater income tax deduction for the transfer than they would have before. If an extremely liberal president is passing laws making this kind of planning more attractive, the changes of future tax laws passing that would restrict or discourage this kind of planning seem extremely remote.

9. What are the risks in all this?

As amazing as it might seem, the risks of this type of dynamic *Family Wealth Counseling* are no greater than any other traditional type of planning. You still have the risk of how you will choose your investment portfolio and its subsequent performance. You still need to keep inflation in mind as you continue to manage your family's wealth. You must still maintain oversight on how your assets are performing. You will, fortunately, no longer need to be concerned over changes in capital gains and estate tax rates since you have opted for voluntary philanthropy instead.

10. I'm not prepared to decide what charitable organizations I want to give to or how I want to give to them. Do I need to decide that up front? What if I change my mind later?

Very few people we meet have any idea that they have the capacity to give tens of thousands even millions of dollars away tocharity without it costing them or their heirs anything. Because of that, they are not initially prepared to adequately address this profound opportunity. One of the most positive aspects of *Family Wealth Counseling* is that it is flexible. Among other things, you will be able to change your charitable beneficiaries up until your death and, if you should so choose, even after your death through instructions to your heirs or your foundation.

For help with this issue, contact the Wordell Law Group at www.WordellLaw.com.

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