

en•dow verb 1. to provide with a permanent fund or source of income.

“For you know the grace of our Lord Jesus Christ, that though He was rich, yet for your sake He became poor, so that you through His poverty might become rich.” This is the verse that we have had on our Christmas card for the past couple of years. As I sit here with most of 2015 ahead of me, I need this reminder because of the way it turns my natural way of thinking on its head. It challenges and motivates me as a steward.

This verse exposes my own stinginess, not just in my finances, but also in my attitude toward others. It exposes my fears and my strong tendency toward self- and asset-preservation. It’s easy to confuse sound financial management with stewardship. Stewardship involves more than just finances, and we have been called to a different standard by Christ’s example. It is our hope that *Endow* is an encouragement to you as you pursue this higher standard.

We are introducing new writers in this issue of *Endow*. Dick Bowser is a law professor in Raleigh, North Carolina, and serves as the chairman of the Covenant



College Board of Trustees. He’s going to be sharing with us “New Trends in Estate Planning” over the next several issues.

Frank Brock, who is well known to many of you, is the former president of both the Covenant College Foundation and Covenant College, and is contributing to this issue of *Endow*. He currently serves as a member of the Foundation board and as a member of the investment committee for the endowment. Given his unique experience, we’ve asked him to share his passion for education

and stewardship with us at least once every year.

I hope you find our contributors thoughts encouraging, challenging, and helpful as you continue to pursue your call as a steward of God’s resources throughout the new year.

Marc Erickson, CFP®
Executive Director
Covenant College Foundation

MOST AMERICANS HAVE A WILL, RIGHT?

A recent Harris poll conducted for an online company shows that a majority of Americans (57%) reported they do not have a will. Other startling findings include:

- > 90% of Americans aged 18-34 do not have a will
- > 80% of Americans aged 35-44 do not have a will
- > 91% of students do not have a will
- > 51% of married Americans with children do not have a will
- > 83% of single Americans with children do not have a will
- > 75% of Americans believe the most important digital asset to protect in the case of their death is online banking and financial accounts; 33% believe email accounts are the most important
- > 14% of Americans do not have a will because they don’t want to think about death

New Currents in Estate Planning

by Dick Bowser

I'VE BEEN INVOLVED IN ESTATE PLANNING AS A LAWYER AND/OR LAW PROFESSOR FOR MORE THAN TWENTY YEARS. In those twenty years, the transfer tax system (estate tax, gift tax and generation-skipping transfer tax) of the United States has undergone a remarkable transformation. When I started in the field, nearly every decision was driven by transfer-tax considerations. That was sensible.

Twenty years ago, the maximum marginal rate was 55%. Transferors began to pay tax at that rate when they transferred, in a taxable way, a total amount throughout their lifetime (and at death) in excess of \$3,000,000. The credit provided by Congress to pay a portion of this tax would, at that time, cover only the transfer of the first \$600,000. For example, if an individual (who had made no prior taxable gifts) died in 1994, owning and transferring, in a taxable way, \$5,000,000, the United States Treasury Department would have collected \$2,198,000, and the beneficiaries of the estate would have received only \$2,802,000. That amounted to an effective estate tax rate of nearly 44%.

With the passage of the American Taxpayer Relief Act of 2012 (ATRA), the outcome is entirely different. Under ATRA, the estate of a taxpayer who dies in 2014, owning and transferring, in a taxable way, \$5,000,000, would pay no federal estate tax (assuming that the taxpayer made no taxable gifts during his or her lifetime). In fact, in 2014, an individual would have

to transfer, in a taxable way, \$10,835,000 to create a tax bill equal to the transfer of \$5,000,000 in 1994. If that's not itself a huge game changer, ATRA also makes it possible for spouses to share their collective estate tax credit (the term is "portability"). That means that married individuals can pass nearly \$11 million in 2014, without paying any estate tax. It is estimated that, if Congress does not change the law again, approximately .14% of Americans will pay any estate, gift, or generation-skipping tax.

So what does that all mean for taxpayers? Let me suggest three things that we will consider in subsequent articles: (1) while the transfer tax has changed, it continues to be an important concern for some individuals; (2) income tax consequences of estate plans will need even more attention in the future; (3) for many individuals, the transfer tax consequences of estate planning can be secondary, and other important stewardship issues can return to the forefront.



Dick Bowser is chairman of the Covenant College Board of Trustees and a member of the law faculty at Campbell University School of Law in Raleigh, NC. He is also the father of two Covenant College alumni.

DO YOU HAVE A PLAN?

"I know my plans should be reviewed, but I don't know where to start."

Whether you rely entirely upon a will to distribute your estate, or whether it is part of a more complex estate plan, a periodic review of your plan is necessary.

Family changes, inflation, changes in tax and probate laws, as well as changes in your desires all require periodic review of your estate plan. Our *Guide to Planning Your Estate* will be a valuable source of information as you begin this review.

If you have never completed your estate plan, this resource will help you take the first step in this important act of stewardship.

Please call the Covenant College Foundation at 706.419.1601 or email linda.moore@covenant.edu for your free copy today.

Donor Impact

The impact donors have on the work of Covenant College is illustrated by our excellent faculty, 92% of which have their doctorate or terminal degree. *Endow* is pleased to introduce Dr. Tim Morris '83, professor of biology and dean of sciences at Covenant College. Dr. Morris serves as the pre-med advisor for students headed to medical school. He also serves as faculty advisor to Wilberforce Scholars, who come from our six current Wilberforce cities and are chosen by local committees. The Wilberforce Scholarship is rooted in the Covenant College Foundation and is supported by the generosity of donors.

Dr. Morris recently recorded a podcast where he explains his role here at Covenant, and the unique opportunity Covenant students have to get to know their professors as whole people. You can listen to this podcast at covenant.edu/Morris.



An Investment in the Covenant Endowment Is an Investment in Students

by Frank Brock

MOST COLLEGES TEACH SUBJECTS; COVENANT TEACHES STUDENTS. I hope you understand the difference! If you can connect a young person's faith in Christ with their desire to serve the needs of others, and then help the student develop necessary skills, there is the potential for a hundredfold return on the investment in the cost of their education.

It can cost \$140,000 or more to offer a quality education to a student. No matter how much a young person loves Jesus and wants to be equipped, their educational opportunities will be limited unless the older generation invests in the younger generation. Investing in the next generation is a powerful way to leave a legacy after we're gone.

A planned gift occurs at death, and it comes from the resources that you have set aside for your old age that remain unused at death. Anyone can easily designate a portion or all of the remaining funds in an IRA or 401(k) account to go toward the College's endowment to help defray the cost of education for students. It only requires filling out a simple form.

The flow of funds earned from endowment never runs out. Year after year, endowment income makes college affordable for hundreds of Covenant students who love

and seek to live by the College's motto, "In all things Christ preeminent."

If you are distressed by the harmful consequences coming from the loss of biblical virtues in the culture, think long-term. Pray for a country where institutions are led by followers of Jesus. Invest in students who want to be salt and light in business, government, health, research, and education. Fill out a form and make a planned gift to the Covenant College endowment. Marc Erickson can advise you during the process and make the entire experience easy and simple. Pray for the Lord of the harvest to bring a hundredfold return on funds you or your family will not need after your death. You will never miss the funds, and you will know you have left an enduring legacy.



Frank Brock is the former president of Covenant College (1986-2002) and former president of the Covenant College Foundation (2002-2010.) He currently serves on the Covenant College Foundation board of trustees and the joint investment committee of the College and the Foundation.