

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

If I were to ask you, “What’s one of the most valuable assets you could leave for your loved ones?” what would you say? You might naturally name an asset of great economic value, an asset that can produce income or possibly an item that holds significant sentimental value or family history. You probably wouldn’t guess that I was thinking about a letter of personal instruction.

A letter of personal instruction, while it has no real legal authority, can simplify both the legal and personal aspects of settling your estate. It can put all of the important information that your executor or executrix needs in one convenient location. Instructions can be given regarding sentimental items that have little or no monetary value. It also gives you a golden and final opportunity to relay any last wishes.

I want to encourage you to take this a step further—to use the letter of personal instruction as



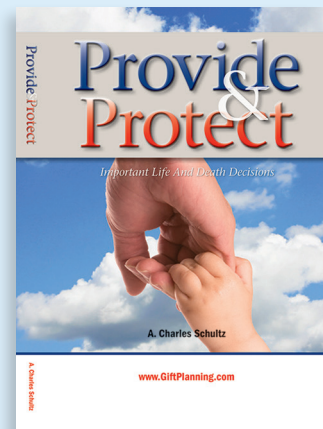
a means of your last message to your heirs. Take the time to write out how you feel about them, what specifically made them special to you, and what you hope for their future. Tell your children how you feel about their mother or father. Tell them what you think about education, hard work, stewardship, money and giving. Tell them what you think about the person of Jesus Christ, His word, His gospel and His church. Tell them how you feel about death, heaven and the resurrection.

I think that ultimately your loved ones want to know that you loved them more than any asset you could leave them. I bet a letter of personal instruction like this, tucked in with your will, will be the one asset they never lose. So get busy—this will take some time.

Marc Erickson '92
Executive Director
Covenant College Foundation

PROVIDE & PROTECT

Looking for a good, simplified financial planning reference? *Provide & Protect* covers many topics including family issues, healthcare, retirement, wills, trusts, and lifetime giving. Forty-four topics are covered in just 270 pages. The chapters are four to six pages long and include a short quiz with answers for review. You can read it straight through or use it as a reference to pick and choose topics as you need them. Please let us know if you would like a free copy. Call the Covenant College Foundation office at 706.419.1601 or e-mail linda.moore@covenant.edu to have a copy sent to your home today.



Part I

What Is Probate... And How Does It Relate to My property?

by Timothy A. Rowe, Esq.

KNOWING A LITTLE ABOUT PROBATE AND THE DIFFERENCE BETWEEN PROBATE AND NON-PROBATE PROPERTY WILL GO A LONG WAY TO ENSURE THAT YOUR WISHES ARE ACTUALLY ACHIEVED. Not knowing can destroy your plan and be a catalyst for major family discord.

The word probate is generally used to refer to the entire process of administering a decedent's estate under formal court supervision. The process begins by filing a petition with the court to prove that the will is actually the decedent's last valid will and to give the named executor the authority to handle the decedent's probate property and other affairs.

The executor's job can be broken into three steps. First, the executor takes control of the decedent's probate property. He then pays the decedent's valid debts, settles accounts, files tax returns and pays taxes, and handles any other matters that arise. The third step is to distribute the remaining property to the beneficiaries under the will. Throughout the process the court generally requires periodic reports on the progress and status of accounts.

The probate process ends when the court is satisfied that everything has been done correctly and that everyone has received what they were supposed to, at

“Not knowing can destroy your plan and be a catalyst for major family discord.”

which time the court will discharge the executor and close the estate.

To you who are named as executor in someone's will, note that you have no authority under the will until you are formally appointed by the court. You cannot transfer property, access accounts, terminate service contracts, change mailing addresses, or anything else mentioned above until the court appoints you.

To you who are beneficiaries in someone's will, note that all probate property belongs to the decedent's estate until the executor distributes it to you. The stuff in mom's house is not yours to take as soon as mom dies—even if the will says that you get it. Some of the most expensive and relationally destructive fights in estates are over the household items, which ironically often represent the lowest value.

Part II of this article will discuss the characteristics and consequences of probate and non-probate property.



Tim Rowe graduated from Covenant College in 2002. He is an attorney with The Kendall Law Firm PLC, in Chattanooga, Tennessee, and practices in the area of trust and estate law.

Nothing in this article shall be construed as legal advice or create an attorney/client relationship between you and the author.

COVENANT COLLEGE HISTORICAL FACTS

1928 Covenant's flagship building (now known as Carter Hall) was built by Paul B. Carter at a cost in excess of \$1.5 million.

1955 Covenant College was established.

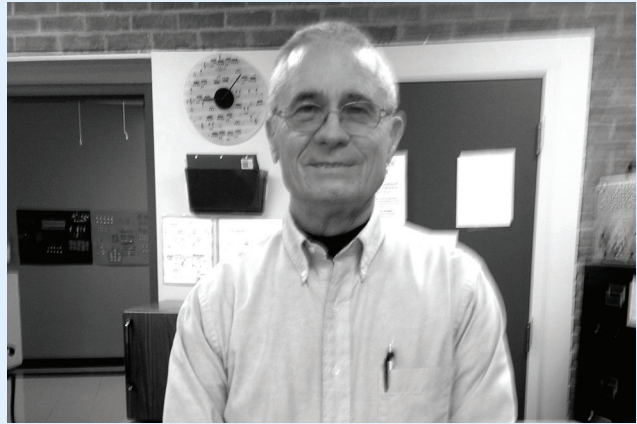
1957 Covenant's annual budget was \$90,000.

1964 Covenant College moved from St. Louis, MO, to the top of Lookout Mountain, GA, taking up residency in Carter Hall, where all students ate, slept, and studied under the same roof.

Donor Highlight

Jim Cox '62

Jim Cox '62 lives in Bowling Green, KY, where he teaches Bible at Greensboro Christian School. Every year Jim brings eighth graders from the school to Lookout Mountain, where they spend a day on the campus where Jim worked as dean of men in the late '60s to early '70s. Jim continues his connection to Covenant as a member of the Heritage Society. Listen to Jim explain why he is so committed to Christian education and Covenant College and why he became a member of the Heritage Society at covenant.edu/Cox.



Part I **What Is a Revocable Living Trust?**

by Beth Anderson Nedelisky

EVER WONDER WHAT A LIVING TRUST IS OR HOW A TRUST IS DIFFERENT FROM A WILL? The two are easily confused because, like a will, a trust can serve as a tool for transferring assets after death. Unlike a will, a trust can serve you well during your lifetime too.

What is a trust? At its core, a trust is an agreement. A trust agreement is between the person creating and transferring assets to the trust, and the “trustee,” the person who agrees to hold and manage the trust property. The trust documents spell out who serves as trustee, who benefits from the trust assets, and how the trustee should manage the trust property.

The most common trust is the “revocable living trust” (also called a living trust). A “revocable” living trust allows the trust’s creator to retain the power to change or undo the trust at any time. In a revocable living trust, the settlor usually names himself or herself as the first trustee and retains the right to spend any or all of the trust assets.

A trust, like a person, can usually own real estate, stocks, bonds, bank accounts, and any manner of personal property. However, unlike a person, a trust

can endure for generations, which makes it a unique tool for holding and transferring assets.

First, let’s consider how a trust can serve you during your lifetime.

A living trust can help if you become disabled or incapacitated. Your will is not a very useful document while you are alive. A living trust is different. In the event of your disability or mental incapacity, a trust can provide a long-term solution to enable the person of your choosing to manage your assets in the way you direct. Your successor trustee can step in anytime you are no longer able to oversee the trust yourself. Over long periods of time, it may be difficult for a loved one to manage non-trust assets using just a durable power of attorney.

It is important to know that there are some things a revocable living trust cannot do: First, a revocable living trust will not lower your income taxes or estate taxes. Second, a revocable living trust will not protect you from creditors. Finally, it cannot fully take the place of your last will and testament.



Beth Anderson Nedelisky, CFP®, graduated from Covenant College in 2003 and is a wealth manager at Marotta Wealth Management, Inc. in Charlottesville, Virginia. Prior to joining the firm in 2005, Beth served as interim director of admissions for Covenant College. She has co-authored more than 30 articles on various financial planning topics, including estate planning and real estate.