

Windfall Wisdom
A Biblical guide for sudden-wealth recipient

By Compass International, Inc.
A non-profit, non-denominational ministry



*It is the blessing of the LORD that makes rich,
and He adds no sorrow to it.*

Prov. 10:22

If you're reading this, there's a good chance that God has blessed you with a windfall of cash—enabling you to do more, not less, in this life. And when this life is over, what you would hope to hear is “Well done, good and faithful servant” (Matt 25:23).

Toward this goal, and additionally motivated by the fact that almost 70% of lottery winners are broke or bankrupt in five years after their “big deposit,” Compass was asked to outline a non-denominational, Biblically-centered Bible-based guide to help those sudden-wealth recipients to make Godly decisions in the weeks, years and hopefully, decades ahead in the future (or at least until the Lord returns!).

First Thoughts

As you attempt to grasp your blessings, and praise the Lord for the things you don't deserve, let's first look at a parable in Luke that should be foremost in our minds in the immediate future:

And He said to them, “Beware, and be on your guard against every form of greed; for not even when one has an abundance does his life consist of his possessions.” And He told them a parable, saying, “The land of a certain rich man was very productive. “And he began reasoning to himself, saying, ‘What shall I do, since I have no place to store my crops? “And he said, ‘This is what I will do: I will tear down my barns and build larger ones, and there I will store all my grain and my goods. ‘And I will say to my soul, “Soul, you have many goods laid up for many years to come; take your ease, eat, drink and be merry.”’ “But God said to him, ‘You fool! This very night your soul is required of you; and now who will own what you have prepared?’” So is the man who lays up treasure for himself, and is not rich toward God.” Luke 12:15-21

Although convicting to many of us, this parable was not meant to be “cold water in the face.” Rather, a reminder that God probably didn't give us a windfall merely to have more toys on the earth. So, in an attempt to put some Biblical perspective on this situation, we will outline some verses and thoughts gleaned from scripture. Hopefully they will influence future decisions so that much of what you choose to do with your money will count 100 years from now.

Humility

Whether you won the lottery, inherited a large sum, or whatever, the first thing you need to remember is that you did zero to *earn* it. It is definitely a God thing that He allowed. You've simply been blessed by the Lord. You can't say you were a savvy investor, smart business person, or anything close. All you can say is that by the grace of God, He allowed it. So let's start with a couple of verses regarding pride—which is the last thing you want creeping into your thought process at a time like this.

When pride comes, then comes dishonor, but with the humble is wisdom. Prov. 11:2

A man's pride will bring him low, but a humble spirit will obtain honor. Prov. 29:23

Let not the foot of pride come upon me . . . Ps. 36:11

Pride goes before destruction, and a haughty spirit before stumbling. Prov. 16:18

For all that is in the world, the lust of the flesh and the lust of the eyes and the boastful pride of life, is not from the Father, but is from the world. 1 John 2:16

Therefore you should put humility at the top of your daily prayer list!

Accountability & Wisdom

You are no more or less accountable than before your God-given increase. Just because you can afford more you must never lose sight of the fact that on Judgment Day, regardless of our past, we all want to have honored God with what He has given us. Eternity is a long time!

Riches do not profit in the day of wrath, but righteousness delivers from death. Prov. 11:4

For the LORD gives wisdom; From His mouth come knowledge and understanding. Prov. 2:6

Therefore, you should pray daily for wisdom. Fortunately, God gives it to those who simply ask:

But if any of you lacks wisdom, let him ask of God, who gives to all men generously and without reproach, and it will be given to him. James 1:5

Keep God First!

As we said, it's highly unlikely that God gave you this increase just so you could purchase more "things." There's obviously nothing wrong with purchasing something you can finally afford, but you must be careful that your overall priorities don't change. God is, and should always be, THE purpose and scope of our lives.

*If riches increase, do not set your heart upon them.
Ps. 62:10*

*And He said to them, "Beware, and be on your guard against every form of greed; for not even when one has an abundance does his life consist of his possessions."
Luke 12:15*

Don't Hang Your Head in Embarrassment Over this Blessing!

It is God's favor, albeit undeserved, that you have been given this incredible situation. And it's easy to overreact and feel guilty. So, keep in mind that this is God's blessing to you. He is in control, and He allowed it to happen.

It is the blessing of the LORD that makes rich, and He adds no sorrow to it. Prov. 10:22

"Both riches and honor come from You, and You rule over all, and in Your hand is power and might; and it lies in Your hand to make great and to strengthen everyone. 1Chr. 29:12

The reward of humility and the fear of the LORD are riches, honor and life. Prov. 22:4

Furthermore, as for every man to whom God has given riches and wealth, He has also empowered him to eat from them and to receive his reward and rejoice in his labor; this is the gift of God. Eccl. 5:19

Godly Counsel

The Bible implores you to get advice from several sources. This way you lessen the likelihood that you will listen to bad advice. As well as increase the likelihood that your overall investment plan will be headed in the right direction.

Where there is no guidance the people fall, but in abundance of counselors there is victory. Prov. 11:14

A wise man will hear and increase in learning, and a man of understanding will acquire wise counsel. Prov. 1:5

A good counselor should be a believer who has a clear grasp of the sovereignty of God and sincerely has your best interest at heart. Also, he/she should not be selling something.

For instance, if you ask your insurance agent to make a suggestion as to what he/she thinks is a good investment, he/she will probably recommend that you put some or all your money in insurance— where he/she will receive a nice commission.

The same with a stock broker, gold salesman, etc. This is not to say you can't get good information from commissioned salespeople, but rather to point out the need to find unattached advisors.

Listen to counsel and accept discipline, that you may be wise the rest of your days. Prov. 19:20

For by wise guidance you will wage war, and in abundance of counselors there is victory. Prov. 24:6

The way of a fool is right in his own eyes, but a wise man is he who listens to counsel. Prov. 12:15

Compass is a ministry, WE ARE NOT FINANCIAL ADVISORS! We do NOT give financial advice. We will give you scriptural advice, with the goal of armoring you with Biblical strength for the journey.

We recommend you get at least two or three opinions regarding investing before making any decisions. We see our job as pointing out what we believe are relevant scriptures.

Start a Financial Notebook/Portfolio

Stop by your local office supply store and purchase a nice portfolio that you can use for all your financial notes (leather of course :-). If you're diligent in writing down everything you learn, all your advice, who gave you what ideas, recommendations, dates, etc., you'll find this to be invaluable. Take your notebook with you to all financial meetings... to the accountant, bank, lawyer, broker...everywhere. Write EVERYTHING down they say and/or you learn. It will become indispensable. Be sure to purchase one that's large enough to also keep all the papers you will be accumulating as you seek wise counsel.

Spread Your Assets

Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth. Eccl. 11:2

God says that you should spread your investments over a wide area to lessen the likelihood of losing all your money on one investment. The secular phrase “*don't put all your eggs in one basket*” is based on this Bible verse.

With assets spread over seven areas, the likelihood of all of your investments going south at the same time is slim and none.

The seven or eight areas might include such things as personal real estate (home, vacation home, etc.), non-personal real estate (apartments, rentals), stocks, fixed income (bonds and annuities), tangible assets (gold, silver, gems, etc.), Treasury Bills, foreign currency, and cash. The key is to get good advice to determine what percentage to have in each area of investment.

You should also try to have most of your new assets “income producing.” For instance, if you purchase a duplex for \$200,000, it will give you monthly income for as long as you rent it. Some stocks pay annual dividends.

Pay All Taxes Due

If you find yourself looking at some investment deal that's promising great returns and no taxes (usually some kind of international investing) stop dead in your tracks.

According to the U.S. Government, all Americans must pay taxes on everything earned on investments, regardless of where it is earned. The exception is tax-free bonds sometimes available. But our concern is thinking you can send money overseas to avoid paying taxes. You can't, legally, and if/when you're caught, it won't have been worth it!

Jesus said to pay what the government says you owe.

“Is it lawful for us to pay taxes to Caesar, or not?” But He (Jesus) detected their trickery and said to them, “Show Me a denarius. Whose likeness and inscription does it have?” And they said, “Caesar's.” And He said to them, “Then render to Caesar the things that are Caesar's, and to God the things that are God's.” Luke 20:22-25

If the government says you owe it, pay it. Even the tax Jesus had to pay with the coin from the fish's mouth was illegal, but He paid it nevertheless. (Matt 17:24-27)

Investing is Not Evil

God says to make a good return on your investments. In the following parable, only the one who didn't invest at all was chastised. Those that invested and lost were better off than those that hid their money!

“For it is just like a man about to go on a journey, who called his own slaves and entrusted his possessions to them. To one he gave five talents, to another, two, and to another, one, each according to his own ability; and he went on his journey.

“Immediately the one who had received the five talents went and traded with them, and gained five more talents. In the same manner the one who had received the two talents gained two more. But he who received the one talent went away, and dug a hole in the ground and hid his master's money.

“Now after a long time the master of those slaves came and settled accounts with them. The one who had received the five talents came up and brought five more talents, saying, ‘Master, you entrusted five talents to me. See, I have gained five more talents.’ His master said to him, ‘Well done, good and faithful slave. You were faithful with a few things, I will put you in charge of many things; enter into the joy of your master.’

“Also the one who had received the two talents came up and said, ‘Master, you entrusted two talents to me. See, I have gained two more talents.’ His master said to him, ‘Well done, good and faithful slave. You were faithful with a few things, I will put you in charge of many things; enter into the joy of your master.’

“And the one also who had received the one talent came up and said, ‘Master, I knew you to be a hard man, reaping where you did not sow and gathering where you scattered no seed. And I was afraid, and went away and hid your talent in the ground. See, you have what is yours.’

“But his master answered and said to him, ‘You wicked, lazy slave, you knew that I reap where I did not sow and gather where I scattered no seed. Then you ought to have put my money in the bank, and on my arrival I would have received my money back with interest. Therefore take away the talent from him, and give it to the one who has the ten talents.’

“For to everyone who has, more shall be given, and he will have an abundance; but from the one who does not have, even what he does have shall be taken away. Throw out the worthless slave into the outer darkness; in that place there will be weeping and gnashing of teeth.” Matt. 25:2-30

Be Acutely Aware of Your Increasing Overhead

Keep in mind that your new monthly income could increase less than your newly acquired total income. This is vital to understand. Many, after paying off debts, giving to churches, etc., will still have a lot of cash. But the actual month income from what is left may not be that much.

Therefore you must be careful that any new purchases do not cause your overhead to dramatically increase beyond your income. Otherwise, you will not be able to meet expenses out of your income, therefore draining your cash reserve each month until it's depleted.

For example: If you purchase that new boat you've always wanted, each year the insurance, gas, maintenance, etc., will have to be paid from your monthly income. If you purchase a vacation property, you'll not only have additional utilities and maintenance to pay but also some fairly substantial taxes and insurance due each year.

So you can see how, if you aren't careful, you can cause your overhead to substantially increase above your income and over time, drain your reserves to zero.

Therefore you need to carefully weigh each purchase against its "carrying cost." You do this by calculating your monthly income after the newly acquired wealth.

Let's say that after you pay-off your mortgage, credit cards, give to your church, children, etc., you still have \$750,000 remaining. If you put the entire amount into Treasury Bills (still the safest investment available) you'll only receive about \$800 in interest per month in additional income, before taxes. And, you will pay more in income tax per year because you don't have the usual home mortgage interest to write off. So it will be hard to pay for upkeep on the new boat, vacation house, etc., without using up your principle.

On the upside, without the mortgage payment, and credit card bills, you have fewer monthly bills to pay and therefore more disposable income. Taking all this into consideration, you can determine your new monthly income and use that for budgeting purposes.

Making Loans to Family and Friends

Inevitably you'll be asked to loan people money, count on it. And there may very well be some family and close friends you want to help out. But the Bible instructions and warnings about making loans, co-signing for notes, etc.

*A man lacking in sense pledges and becomes guarantor in the presence of his neighbor.
Prov. 17:18*

*Do not be among those who give pledges, among those who become guarantors for debts.
Prov. 22:26*

*He who is guarantor for a stranger will surely suffer for it, but he who hates being a
guarantor is secure. Prov. 11:15*

*If you lend money to My people, to the poor among you, you are not to act as a creditor
to him; you shall not charge him interest. Exod. 22:25*

*He who increases his wealth by interest and usury, gathers it for him who is gracious to
the poor. Prov. 28:8*

This is not an admonition to not give to someone or situation that God has truly put on your heart. Rather, again it's showing the need for having Biblical boundaries and wise counsel.

*For the poor you always have with you, and whenever you wish, you can do them good;
Mark 14:7*

But prayer, sound advice from your advisors, and common sense will weed out most of the problem situations. By the way, there's an old saying: "Loan a man \$10,000 and you own him. Loan a man \$100,000 and he owns you." We, of course aren't trying to own or control anyone, but the point is worth making—BE CAREFUL to whom and how much you loan!

There's also an old banking cliché that says, "*Never loan to the three 'P's: Preachers, painters and prostitutes.*"

Consider other options than simply giving someone money. Since it seems the wealthier the parents, the more likely the kids turn out to be losers, alternatives to giving should be explored.

You could, for instance, rather than giving your son or daughter money to purchase a house, just finance the house for them at no interest. It could save them a couple of hundred thousand but allowing them to still earn it by making payments and learning the discipline of proper money management.

Regardless, when dealing with family, don't lend it unless you can do without getting it back!

“But love your enemies, and do good, and lend, expecting nothing in return;” Luke 6:35

Make a Charitable Giving List

. . . And from everyone who has been given much shall much be required; and to whom they entrusted much, of him they will ask all the more. Luke 12:48b

If you determine that God may be leading you to give to other churches and ministries, begin by starting a charitable giving list in your financial workbook. Ask a lot questions before giving to radio/TV ministries. Take the time to investigate where the money actually goes, how much of their monthly donations are being used in salaries, etc.

Pray about who you should give to over a period of time before committing to funding or actually writing the checks. Patience is premier!

Should You Retire?

Full retirement is not Biblical. The concept of reaching a point in life where you sit back and do nothing is not supported by scripture—quite the contrary. God's penalty for sin is that men have to work.

“Then to Adam He said, “Because you have listened to the voice of your wife, and have eaten from the tree about which I commanded you, saying, ‘You shall not eat from it’; Cursed is the ground because of you; In toil you will eat of it all the days of your life.” Gen. 3:17.

Obviously, as you grow older, or when circumstances change, you may have to change the type of work you do (i.e., do less physical work), but nowhere are you allowed to stop working altogether. Older men are usually wiser, have a lot of “been there, done that's,” and should be used as resources for decision making (1Tim. 5:1).

The glory of young men is their strength, and the honor of old men is their gray hair. Prov. 20:29

The term elder in the New Testament means “older.” It does mean older in spiritual age (1 Tim. 3:6) but also means older in physical age. And elders are chosen for the wisdom they've gained. Therefore, they continue to work, albeit more spiritually-oriented.

Saving and/or investing money for “later in life” is certainly scriptural (Ecc. 11:1-2, Luke 14:28-30), but not so you can sit back and watch TV :-). Remember, Abraham and Moses were over 70 years old when God called them into ministry!

New Horizons?

Now that you have the means to accomplish a new vision, God may want you to quit your job and begin a new ministry He’s put on your heart. However, it’s also possible that God wants to continue to reach those around you, in what you are already doing.

So before beginning any full-time ministry effort, spend a lot of time in prayer AND counsel with your trusted advisors. Money is rarely the reason holding people back from ministry work—God could have given you money at anytime—so it’s probably a good idea to prayerfully consider that He may want you to evaluate existing ministries rather than beginning a new one.

How Much Should I Tithe?

You should not “tithe” one penny because “tithe” is an Old Testament term. In the Old Testament, before the Law was given, Abraham tithed (meaning he gave one-tenth) to the Lord (Gen. 14:19-20).

Later, the Levitical Law was given and people in Israel were required to give ten percent of their income for the feasts (Deut. 12:6, 28:26), ten percent for the Levites (the tribe without an inheritance, Deut. 14:22-23), additional tithes for the Levites every three years (Deut. 14:22-23), and ten percent for the widows every three years (Deut 26:12). That averages roughly 26% per year.

There were also additional offerings (tithes of tithes) from time to time (Num. 18:26). Israel, of course was a theocracy and that money also ran the government. The point is, if you want to do it like they did in the OT, you’ll need to give 26 percent plus, not a flat 10%.

But we don’t live under Law! Rather, we live under Church Age *grace*. In the New Testament Epistles, which are instructions for those of us living in the Church Age, the giving instructions are different from the Old Testament.

Consider how post-cross Believers are to give:

Cheerfully

2Cor. 9:7 "...God loves a cheerful giver."

Prayerfully

2Cor. 9:7 "Each one must do just as he has purposed in his heart..."

Consistently

1Cor. 16:2 "On the first day of every week each one of you is to put aside and save,..."

As one has been blessed

1Cor. 16:2 "... as he may prosper,"

Not under compulsion

2Cor. 9:7 "not grudgingly or under compulsion,..."

Expectantly

Luke 6:38 "Give, and it will be given to you. They will pour into your lap a good measure — pressed down, shaken together, and running over. For by your standard of measure it will be measured to you in return."

Privately

Matt. 6:1-4 "Beware of practicing your righteousness before men to be noticed by them; otherwise you have no reward with your Father who is in heaven. So when you give to the poor, do not sound a trumpet before you, as the hypocrites do in the synagogues and in the streets, so that they may be honored by men. Truly I say to you, they have their reward in full. But when you give to the poor, do not let your left hand know what your right hand is doing, so that your giving will be in secret; and your Father who sees what is done in secret will reward you."

So there is no specific percentage given, but rather you are to give according to how much you have been given (I Cor. 16:2) and NOT compelled to a certain amount or percentage (II Cor. 8:12).

Ten percent MAY be an appropriate amount, but that figure can't be applied universally to everyone as you must first pray about it. If someone suggests that 10% is the minimum you should give, then they are "compelling" you. And that would violate the "not under compulsion" commandment.

Remember, when determining what amount and to whom to give, always keep in mind that the purpose of giving is to recognize that all increase comes from the Lord. He has allowed your windfall. Think long-term.

Proverbs 10:22 “It is the blessing of the LORD that makes rich, and He adds no sorrow to it.

But the key is your prayerful discussion with the Lord BEFORE you give (II Cor. 9:7). If the Lord leads you to give some to your church and some to another cause, that’s between you and the Lord—not between you and your church or you and anyone else (advisors excepted).

In the case of a large, one time lump sum to distribute, you may consider either making a list and sending out the checks in this tax year or setting up a charitable trust so you can give now as well as in future years. The tax benefits in either of those scenarios are similar.

If, for instance, you prayerfully determined to use 25% percent of your newly acquired wealth for charitable giving, you could give ten percent away this year and put 15 percent into a trust to give as the Lord lays it on your heart.

Regardless, if you have been given millions, make giving to the Lord’s work a priority out of your first-fruits—“*as he may prosper.*” 1 Cor. 16:2, Luke 12:48

Prov. 3:9 Honor the LORD from your wealth and from the first of all your produce;

Giving Privately

Although giving privately is required by scripture (Mt. 6:3,4), sometimes it is difficult to remain anonymous. However, there are two things you can do. One, use your attorney, or an out of state attorney, to send your donation checks anonymously. The downside is that your attorney will be charging you for his time. Another option is giving through a ministry like Compass.

For example, if you want to help someone with a \$1,000 gift, you can send the money to Compass and we’ll send 100% of the amount to your designee at no cost to you. There may be other ministries that do this, but some may charge a fee. Regardless of how you choose to donate, the tax deduction is the same.

Desire the Right Reputation

Your desire is to be known for your Christ-centeredness, not by your wealth. Never allow your ego to boast improperly.

“There is one who pretends to be rich, but has nothing; Another pretends to be poor, but has great wealth.” Prov. 13:7

“A good name is to be more desired than great riches. Favor is better than silver and gold.” Prov. 22:1

At the end of your life, this is how you want people to describe you:

Psalm 112

Praise the LORD! How blessed is the man who fears the LORD, who greatly delights in His commandments. His descendants will be mighty on earth; The generation of the upright will be blessed. Wealth and riches are in his house, and his righteousness endures forever. Light arises in the darkness for the upright; He is gracious and compassionate and righteous.

It is well with the man who is gracious and lends; He will maintain his cause in judgment. For he will never be shaken; The righteous will be remembered forever. He will not fear evil tidings; His heart is steadfast, trusting in the LORD. His heart is upheld, he will not fear, until he looks with satisfaction on his adversaries.

He has given freely to the poor, his righteousness endures forever; His horn will be exalted in honor. The wicked will see it and be vexed, he will gnash his teeth and melt away; The desire of the wicked will perish.

And let's hope they don't say of us:

“Behold, the man who would not make God his refuge, but trusted in the abundance of his riches and was strong in his evil desire.” Psa. 52:7

Bottom Line/What to do First

- Pray for wisdom.
- Park your money in T-bills while you get counsel.
- Get organized.
- Begin an investment notebook.

- Be patient.
- Look for solid, Christ-centered advisors.
- Pay your debts.
- Escrow any taxes you may owe (i.e. State, Federal).
- Meet with your accountant.
- Begin a charitable giving list.
- Find the bottom line of your new net worth and new monthly income in order to understand your budget.
- Review your insurance in light of potential estate/death taxes.
- Take two to three months before making any major investment decisions.
- Change your mindset from investor to protector.
- Be humble, ask questions!!!

But above all, keep God first in your life. On judgment day, God is going to be more interested in how you witnessed to your next door neighbor than how much your investments increased.

I have rejoiced in the way of Your testimonies, as much as in all riches. Ps. 119:14

Riches and honor are with me, enduring wealth and righteousness. Prov. 8:18

For riches are not forever, nor does a crown endure to all generations. Prov. 27:24

As he had come naked from his mother's womb, so will he return as he came. He will take nothing from the fruit of his labor that he can carry in his hand. Eccl. 5:15

He who trusts in his riches will fall. Prov. 11:28

May God richly bless you with His wisdom!

Compass International, Inc.

P.O. Box 3747

Coeur d'Alene,

Idaho 83816

208-762-7777

www.compass.org

staff@compass.org

Additional resource:

The following article was found on the *Crown Ministries* web site: <http://www.crown.org/>

The most asked questions regarding wills and trusts

The vast majority of Americans do not have a will or a trust. If they died today they would leave the distribution of their assets to the state. Without a doubt this represents poor stewardship. Most people recognize the need to have a will, but they never get around to having one written. A great many people had a valid will at one time, but either the witnesses have died or the state laws have changed, invalidating their wills.

Regardless of the reason, the simple truth is that if your will cannot be probated, or proved, in court, it is worthless. The state agency assigned to handle intestate (having no legal will) properties will divide them among the surviving heirs as the agency sees fit, after extracting probate costs, state inheritance taxes, and federal inheritance taxes. Rather than spend a few hundred dollars in attorney costs to have a will prepared, many of these estates will spend several times that in court costs before the assets are distributed. A simple will can avoid these problems. For more complicated estates consisting of larger assets, a trust may be more advantageous.

Most asked questions

To help you to understand what kind of estate planning is best for your family, we have addressed the 12 most frequently asked questions concerning wills and trusts.

> Can I draft my own will without having to pay an attorney?

Yes, you can in most states. A self-drawn will is called a holographic will. The rules governing holographic wills vary from state to state, and you must thoroughly understand the laws of your state to ensure your will is probatable in court. For this reason, we would suggest that all wills at least be proofread by an attorney.

> What if one of my witnesses has died or is unable to serve as a witness?

In order for a will to be probated, the judge will most likely require that the will be verified. If you used only two witnesses and the state requires two, both must be alive and able to substantiate the general contents of the will. It is always best to have three or four witnesses to sign your will. If less than the required are available, you will need to amend your will with a codicil to have other witnesses verify it.

> Should I keep my will in a safety deposit box?

If you do keep it in a safety deposit box you need to be sure that someone else has access to the box. Since a safety deposit box cannot be opened except by court order, the process can be lengthy and expensive. We suggest that you name your spouse and your attorney or accountant as authorized signatories.

> Do I need a new will if I change residences from one state to another?

Possibly. You need to have an attorney in the new state review your will to be sure that it conforms to that state's laws.

> What if I own property in more than one state?

Generally, your estate is governed by the state in which you reside at the time of your death. Thus, a valid will drawn in your state will most likely control the distribution of assets in another state.

> Do I need a will if my spouse and I hold all of our property in joint tenancy?

Yes, you still need a will. Joint tenancy means that the surviving tenant owns the property if the other tenant dies, but if there are assets owned outside the joint properties they will not be covered. You will need to check with an attorney to determine how jointly owned properties are handled in your state, in case of the death of one of the owners.

> Who can I name as my estate executor?

You can name anyone you desire to act as executor of your will and estate. That person's duties are to probate the will and distribute the assets according to the dictates of the will. Unless otherwise stipulated, many states require an out-of-state executor to post a bond. Some require that the bond be equal to the value of the estate. If you use a professional executor, there will be a fee involved. This can vary from an hourly fee to a percentage of the estate value. Any such fees should be clearly spelled out in a contract and attached to the will or trust.

> What is a trust?

A trust is a legal contract to manage someone's assets, before and after death. There are two basic types of trusts: a living trust and a testamentary trust.

A living trust is drafted and implemented while the assignee is still living. Within a living trust is another division: the living trust can be either revocable or irrevocable. If it is revocable, the assignee reserves the right to modify the trust as long as the assignee is alive. If the trust is irrevocable, the trust cannot be changed once in force, nor can the property assigned to the trust be recovered by the donor. A testamentary trust becomes valid when the person dies.

> What is the advantage of a trust, if any?

A trust is not a public document, like a will, and it does not require probate, thus ensuring privacy. In many cases, assets held in trust could be free from estate taxes. If your assets are placed in a trust while you're alive, they are protected if someone sues you. When you die, the government is not involved, just people named in your trust. A simple trust can be set up for \$2,000 to \$4,000.

> **How much tax will my estate have to pay?**

That depends on the value of the estate at the time of your death. Through a marital deduction allowance, each spouse can leave the other an unlimited amount of assets. However, assets left to someone other than a spouse are subject to estate taxes.

> **When are the taxes due?**

Usually within six months of death, the state will require an appraisal of the estate. The taxes are due and payable at that time, although in practice both the state and federal tax collectors will normally work out a plan to convert the assets necessary to pay the taxes so that the estate doesn't suffer a severe dilution through a forced sale. Liquidity, or cash, in an estate is very important, since taxes must be paid in cash. Otherwise, assets must be sold to satisfy the tax obligation.

> **What if I change my mind after I make a will?**

You can change your will through the use of a codicil. The codicil is subject to the same laws of probate, so it is important that it be drafted properly. Attach all codicils to the original will and store them together. Remember that only the original will or codicil is probated, so protect them carefully.

> **Conclusion**

Almost 80 percent of all American adults have no valid will or trust. If they died, they would leave the distribution of their estates and guardianship of their children to the state; plus the estate would have to pay a sizable amount of taxes and fees. In order to ensure that the estate has to pay the least amount of taxes and that your estate is rightly distributed as you would want it to be divided, a will or trust is mandatory.