
**A Step-by-Step Guide to Bring Meaning to Your Money!**

This guide was developed for you because we want to help families in expanding "The Ultimate Gift" conversation in many ways.

1. By starting a conversation with your children about work, responsibility and the value of money.
2. By showing the movie to your religious congregation in order to stimulate group discussion about ways in which congregants can enshrine religious values into their own estate plans.
3. By giving the movie to your accountants and attorneys. This expands their understanding of the opportunities for positively controlling asset transfer from one generation to another within the family.

4. By hosting a group showing of the movie with your kid's friends and their parents in order to educate the younger folk about key aspects of responsibility, choice and the origins of money within one's life.

The purpose of this guide is to present—in simple terms—what could possibly be fairly elaborate yet very rewarding aspects to your financial planning.

As such, the information outlined is not suggested as a replacement for your own common sense—or the professional advice of your own licensed legal, accounting or financial advisors.

This guide will lead to reflection, decision-making and action. Those actions will help you achieve significance for yourself and your loved ones as you craft a structure to bring real "meaning" to your money and assets far beyond your living years.

Let's explore what you can DO with the lessons from The Ultimate Gift in leaving a legacy for your children and grandchildren.

## What is a Values Trust?

I applaud the vital role that parents and grandparents are playing in helping to-

day's younger generation to thrive in an environment which is dramatically different from the one in which you and I grew up.

Following numerous requests from more affluent clients over the years, many advisors have started to devote their time and expertise to helping parents and grandparents re-shape their plans to provide meaningful financial rewards to children and grandchildren who live their lives according to positive principles and values. We call the structure that defines and controls these rewards a Values Trust.

A Values Trust can take two forms:

1. **A Living Trust**—funded while the person forming the trust is alive, with benefits accruing immediately. In order to receive benefits from the trust, the beneficiaries need to reach certain milestones or abide by certain documented rules during the life of the trust.
2. **A Testamentary Trust**—funded from proceeds of the estate of the person forming the trust, including the proceeds from life insurance. Benefits flow to the beneficiaries in the same manner with a Living Trust.

Frequently, clients choose to set up BOTH structures, with proceeds remaining at the end of the Living Trust flowing into the Testamentary trust to join life insurance proceeds as the funding mechanisms for the future work of the Testamentary trust.

Once you have read these pages, we'll be happy to provide you a complimentary consultation to explore the concept of rewarding your children and grandchildren for the life that they lead in addition to the rewards they might currently be set to enjoy as financial beneficiaries of your estates.

Further details specific to the mechanics of these structures is provided in the section "Logistics to Setting Up the Trust."

# FUNDING THE TRUST?

A percentage of your current investment portfolio or savings could come under the professional management of a financial advisor working closely with your accountant or attorney in order to create and fund the trust.

Equity release from real estate holdings can fund an investment that you make in

the trust. You would resume paying a mortgage on the property, which would then be paid off by your estate.

These are some of the funding methods that can be used for a LIVING TRUST.

A new life insurance policy can be taken out to fund a TESTAMENTARY TRUST, with the owner and beneficiary of the policy being the trust. Consult with our team to discuss state and federal tax implications of such a structure.

> ***CAUTION:*** *You are strongly cautioned against merely changing beneficiary on existing life insurance policies, as this may expose the rest of your estate to debts and unfunded obligations. The effect of merely "switching" beneficiary or owner of an existing policy could be a dilution of the entire amount of money and/or assets available to your beneficiaries. In some cases, this could result in the sale of certain assets at unfavorable prices in order to make up the deficit in your estate.*

Many life insurance companies look favorably upon clients who have met their premium commitments and retained a state of good health since the inception of their existing policies. Consequently, they often offer great rates on additional coverage you may wish to place with them without extensive medical requirements. Consult with us to see if it would be beneficial to try to negotiate additional coverage with your current insurance carrier to ensure you are able to achieve maximum coverage for your dollar.

At the end of the term of the trust, you may elect to equally distribute the remaining funds amongst your children and grandchildren or stipulate that remaining funds are used towards the purchase of a permanent life insurance policy on the lives of the living beneficiaries at the time the trust is wound up.

Optionally, funds remaining at the end of the life of the trust may be used towards the purchase of a lifetime income annuity for each of the living beneficiaries—providing them with a memorable check every year for their entire lives. While you cannot control what your beneficiaries do with their payout as the end of the

trust, you could certainly document your wishes in a letter to them that would be presented by the trustees of the trust.

# CREATIVE MILESTONES & GUIDELINES INCLUDE IN YOUR TRUST

As previously explained, **a Values Trust allows parents and grandparents to reward kids & grandkids for the life that they build instead of just rewarding them with uncontrolled cash as beneficiaries of an estate**.

Essentially, our team works with accountants and attorneys to create a trust that encourages and rewards certain life goals over time, such as:

**Further Education Beyond High School**
*Any of my children who graduate from an accredited university or college with the equivalent of a 3.0 GPA or better within 4 years of registering at that University/ College, may receive payment of $10,000 to apply towards student loans or for use as the down payment on a home.*

**Continuous Stable Employment**
*Any of my children who submit 5 years of consecutive tax returns showing between $20,000 and $50,000 income, may receive a one-time payment of $15,000 at the end of the 5 year period.*

**Social Contribution in Society's Non-Profit Sector**
*Any of my children who elect to enter the non-profit sector of society in order to pursue their passion in helping the disadvantaged sectors may be paid $12,000 a year in order to "top-up" probably salary sacrifice for a maximum of 3 years prior to their 35th birthday.*

**Conservative Financial Discipline**
*Any of my children who save more than $20,000 by their 21st birthday will receive a payment from the trust of a matching $20,000 in order to commend their frugal*

*spending behavior.*

### Responsible Driving Behavior

*Each child who has no impaired driving conviction for a consecutive, unbroken period of 10 years from age 16 to age 26 will receive a refund on their previous year's car insurance premiums on January 2nd each year. The maximum amount payable each year is $4,000. Amount in excess of the actual premium costs shall accrue and be distributed to the beneficiary at the conclusion of the 10 year period.*

### Self Reliance

*Any child starting their own business shall receive a payment from the trust matching any bank loan they may qualify for on a dollar-for-dollar basis.*

### Mentoring and Coaching

*Any child entering the world of self-employment shall be entitled to an annual sponsorship of professional association membership dues, one annual industry association national convention attendance package with travel expense as well as the expenses of an accredited mentor/coach for a period of 2 years following them starting their own business or entering a commission based career.*

### Homeownership

*Any child purchasing their home before age 25 will receive a payment matching their own deposit, down payment to a maximum of $25,000. Additionally, a further amount of $25,000 shall be made to any child who has paid off 2/3rd of their first mortgage within 10 years of taking on this mortgage.*

### Family Stability

*Trust pays engaged children/grandchildren with a contribution of $5,000 towards their wedding or honeymoon or first marital home upon successful attendance at 10 pre-marital counseling sessions with accredited, or recognized marital counselor in your state.*

# TECHNICAL INFORMATION ABOUT TRUSTS

As previously explained in the disclaimer, this guide does not present legal or financial advice. Its purpose is merely to highlight the opportunities for parents, grandparents, aunts, uncles to enshrine positive values in their estate plan.

Different states and counties have varying rules and tax treatment of trusts. We encourage you to open up a conversation with us in conjunction with your accountant—to explore the options available to your and your family.

# LOGISTICS IN SETTING UP THE TRUST

1. A qualified attorney or CPA is required to manage the compliance of the children and grandchildren over the several decade life of the trust or trusts—as well as handling payments made as a result of milestones being achieved by its beneficiaries. Choose both these advisors and your trustees carefully!
2. Funding of annual administration fees charged to the trust by the above professionals needs to be accommodated in the financial funding model of your trust or trusts.
3. Ensure that your chosen financial advisor conservatively manages the investment funds. This advisor should attend all meetings of trustees and report to the professionals and trustees at least annually on the investment performance of the long-term assets held by the trust. You may consider retaining an amount of cash on hand in an interest-yielding bank account for shorter-term milestones and annul trust expenses.
4. Ensure that you change your Last Will and Testament to reflect the creation of any trusts.

# PREPARING FOR YOUR INITIAL DISCUSSION

You would be well advised to take the following steps prior to setting up expensive and lengthy meetings with accountants and attorneys. Adequate preparation prior to visiting with them can save you thousands of dollars in fees and make the process of "bringing meaning to your month" that much more enjoyable. You've worked hard for your money and this process should be a truly positive and inspiring time in your life.

Typically, a forward-thinking financial advisor would consult with you during this preparation phase, conditional upon them receiving the investment and/or life insurance business as compensation for their time.

Optionally, consider agreeing on a set fee or hourly rate with them for this consulting phase, if they are allowed to charge fees. Following your settling of their bill, you are free to place the financial business with anyone you choose, including them. They may or may not offset your fees paid against the placement commissions paid to them by the financial solutions provider that they use for the financial vehicles needed to accomplish your goals.

Kurt Jackson
Retirement Income Strategist
KJ Financial
1417 Limerick Ct. Liberty, MO 64068
Direct #: 816.582.5532
Office #: 816.984.0289
Email: kurt@KJFinancialOnline.com
www.MaxMyRetirementIncome.com

Stephanie Kleyh
Business & Estate Planning Attorney
The Kleyh Law Firm, LLC
17 W. Kansas St. Liberty, MO 64068
Office #: 816.945.9222
Email: stephanie@kleyhlawfirm.com
www.KleyhLawFirm.com

Kate Kern
Insurance Agent
American Family Insurance
500 Armour Rd NKC, MO 64116
Office #: 816.471.4200
Email: kkern@amfam.com
www.KateKernInsurance.com