

ENDOW

THE NEWSLETTER OF THE *Covenant College Foundation*

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

Recently, Joel Belz, a giant in the faith and a dear friend, went home to be with the Lord. Joel and I shared three unique work-related experiences: Covenant College, strategic planning in the PCA, and Brow Wood, the senior living community just south of the college campus.

As a businessman coming to serve as president of Covenant College, I needed the support of the board. Joel always recognized the multiple roles of good board members: preserving the mission, stewarding the resources, and empowering the president. Joel was keenly aware of the dangers of mission drift and often said, “let it not happen on our watch.” But he was just as quick to help with fundraising or presenting Covenant to prospective families. Without qualification, I attribute my longer than average tenure as president to having a supportive board, and no board member was more willing to help than Joel.

As president of Covenant, I was thrust into denominational issues. Joel and I lamented over the lack of ruling elder involvement in the PCA, especially at the committee and agency level. We both believed that denominational growth depended on clergy and lay working together to create a strategic vision for the PCA that would enable church members to be faithful witnesses in the work world. During the years of painfully slow progress, Joel was my soul brother. Without Joel, the current structure of the role of the

PCA Joint Judicial Committee and Coordinator planning would not have occurred.

The idea of an active adult living community adjoining Covenant College’s campus came out of a board meeting. Joel, Bob Avis, and I had a weekly standing conference call for more than three years before what is now Brow Wood had a site, name, logo, and master plan. With Montreat in Joel’s backyard, Joel envisioned Brow Wood as a destination community for retiring ministers

and missionaries. Joel felt that Covenant College represented the heart of the PCA. He knew that Chattanooga is centrally located and the home of more than a thousand Covenant alumni. Joel’s vision and energy were vital components in the creation of Brow Wood. I live in Brow Wood now; Joel often mentioned living at Brow Wood.

As I contemplate Joel’s legacy, I am so thankful for his life

and work. He always had a long-term vision and was willing to make the daily sacrifice to bring the vision to fruition. What a great friend; what a faithful encourager; what a visionary; what a servant and disciple of Christ!

-- Frank Brock

*Covenant College President (1987-2002)
and Founder of Covenant College Foundation*



In Memoriam: Joel Belz (1941-2024)

Joel graduated from Covenant College in 1962. He served on the college board from 1978-2016, including terms as Board Chair from 1988-91 and again from 1995-2000. He also served on the Covenant College Foundation board from 2004-2015. He was named Covenant College Alumni of the Year in 1977.

Revocable Living Trusts

Part Two of a Two-Part Feature on Living Trusts

by HUGH A. "JAY" MITCHELL, JR., ESQ.

IN PART ONE OF THIS ARTICLE, (appearing in the previous edition of Endow), we explored the Revocable Living Trust (RLT) concept and its potential advantages as an estate planning tool. Part One defined an RLT as a trust that is operative while the Settlor (the creator of the trust) is living, and it can be amended—even revoked—at any time, so long as the Settlor is still living and legally competent. If he or she chooses, the Settlor can even be the Trustee and the lifetime Beneficiary of the trust, thereby retaining both the control and the benefit of the property transferred to the RLT. Some of the advantages of an RLT are the avoidance of probate, flexibility in managing property, and privacy.

RLTs do have some potentially significant advantages, and they certainly have received a lot of attention lately, so much so that you may feel left behind if you don't already have an RLT or don't have plans to create one. In Part One, I framed the RLT question in terms of *The Emperor's New Clothes*—the "experts" seem to all be pitching the same story, but just like the emperor's subjects, we need to take an honest look at what is being sold to us by the "tailors" of our day and make a clearheaded judgment for ourselves.

So, should you make an RLT a part of your estate plan? What about taxes? Are there any disadvantages to an RLT?

Tax Effects

During the Settlor's lifetime, the RLT is entirely transparent for tax purposes. This is perhaps the most commonly misunderstood feature of the RLT and, therefore, cannot be emphasized enough: for all its advantages, the RLT in itself offers no tax savings.

"In short, the RLT is not a planning tool suited to universal application. Its advantages and disadvantages should be weighed carefully, considering the client's particular needs and circumstances."

1. *Federal Estate Tax* – Assets held in a decedent's RLT at the time of death are fully includable for federal estate tax purposes.

2. *State Estate and Inheritance Tax* – As a rule, the

RLT produces no state estate or inheritance tax savings.

3. *Federal Gift Tax* – Transfers of property during lifetime to an RLT do not constitute completed gifts for federal gift tax purposes and, therefore, don't consume any portion of the Settlor's annual gift tax exclusion or lifetime transfer tax exclusion amount.

4. *Income Tax*–

(a) All trust income and deductions are attributed to the Settlor;

Disadvantages of the RLT:

Time and Expense

While possibly saving some money in terms of probate after the Settlor's death, the RLT adds expense up front to the planning phase. This added expense occurs because at least a Pour-Over Will is still needed, and the funding of the RLT is likely to involve the preparation and recordation of deeds and other transfer instruments, which requires the expenditure of time by either the client or the attorney (or both). The time and expense associated with RLT funding is dependent upon the number and nature of assets, and it can be substantial.

Mechanics of the Revocable Trust

1. Drafting and Execution – The first step in the RLT implementation process is to draft a separate Trust Agreement and a Pour-Over Will. The Trust Agreement and Will would be executed simultaneously.

2. Transfer of Assets to Trust Ownership – The next step—and this is critical to securing the anticipated benefits of the RLT—is to transfer to the RLT the ownership of all individually-owned, non-beneficiary assets. While assets not transferred to the RLT prior to death of the Settlor would “end-up” in the RLT after the Settlor's death, those assets would not enjoy the benefits of probate avoidance, property management, and privacy that the RLT otherwise might afford.

3. Beneficiary Designation Update – The beneficiary designation for all “beneficiary assets” (i.e., life insurance policies, retirement accounts, and TOD/POD accounts) must be revised to coordinate with the dispositive terms of the RLTs.

4. Interaction With the RLT – Acting as Trustee, the Settlor continues to manage and otherwise deal with the assets transferred to the RLT substantially as before.

Is the RLT for Everyone?

In some states and in some individual circumstances, the anticipated expenses and delay of the probate process may warrant aggressive probate avoidance planning. However, in many states, the probate process is relatively streamlined, and the much-feared expense and delay of probate are significantly reduced. Moreover, if one's assets pass to named Beneficiaries by beneficiary designation (e.g., life insurance, retirement accounts, etc.) or are jointly owned with the right of survivorship, those assets will not be subject to probate. Hence, depending on one's jurisdiction and circumstances, the primary advantage for which the RLT is usually touted may be much less substantial than advertised.

Similarly, often the privacy benefits of the RLT may be minimal. And, in many (but not all) cases, the issue of property management in the event of incapacity can be handled adequately (and more simply) by using a durable power of attorney.

In short, the RLT is not a planning tool suited to universal application. Its advantages and disadvantages should be weighed carefully, considering the client's particular needs and circumstances. In some situations, the RLT can be especially useful, but often it must be said: “The emperor truly has no clothes.”



For more than 25 years, Jay has been a partner in the Baltimore law firm of Stewart, Plant & Blumenthal, LLC, which is devoted exclusively to trusts and estates and tax planning. Jay and his wife, Denise, live in Annapolis, Maryland, where Jay serves as a Ruling Elder in the Evangelical Presbyterian Church of Annapolis. Jay and Denise are blessed to have 8 children, 4 of whom have graduated from Covenant College, and they also have been graced with 17 grandchildren – so far!



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Endowment for the Performing Arts: Where Dreams Matter and Stories Begin

This endowment, established through the Covenant College Foundation, will provide our performing arts students with increased opportunity to develop their unique God-given talents and be equipped to impact their craft, community, and the culture for Jesus.

While it will enhance existing college programs, the long-term goal is for Covenant to become a recognized center of excellence for Christians who want to study and work in this competitive industry. This endowment will support a broad cross-section of the performing arts, such as musical theater, theater/film, vocal music, instrumental music, and dance.

Though an anonymous donor established the endowment, it is structured so that anyone may contribute to this vision. Donations are welcome and may be made in honor or memory of an individual. To make a gift, visit covenant.edu/giving, click "Give online today," and choose "Endowment for the Performing Arts."