



**Gift Plans and Strategies Every Advisor
Can Suggest to Clients...**
to support your annual fund, capital
campaign and planned gift program

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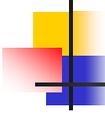


Partners in Philanthropy

- n Grand Traverse Regional Community Foundation
n www.gtrcf.org
- n Munson Healthcare Regional Foundation
n [www.](http://www.munson.org)
- n Northwestern Michigan College Foundation
n www.nmc.org



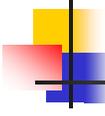
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"Building Endowments for American Charities"



Agenda



- n **Big picture of charitable giving**
 - n Why are individuals charitable?
 - n Who are the prospects?
 - n What donors want?
 - n Why donors stop giving?
- n **Life cycle giving**
- n **Many faces of philanthropy**
- n **Conducting the charitable discussion**
- n **Sorting your donors/clients**
- n **2013 Tax changes**
 - n Income tax
 - n Estate tax
 - n Gift tax



Agenda



- n **Tools and strategies for charitable giving**
 - n **Outright gifts**
 - n Cash
 - n Appreciated property
 - n IRA rollover options
 - n **Bargain sales**
 - n **Testamentary gifts**
- n **Year end gift strategies**
 - n **Split interest life income gifts**
 - n Gift annuities
 - n Charitable remainder trusts
 - n Life estate agreements
 - n Charitable lead trusts

Changing Financial Environment Means Changing Strategies



*We live in interesting times!
Fiscal cliff (will it return)?
10,000 seniors reach 65 each day!*

Financial Planning Personal Concerns Lifestyle

YOU
family concerns

age
tax law changes
government changes

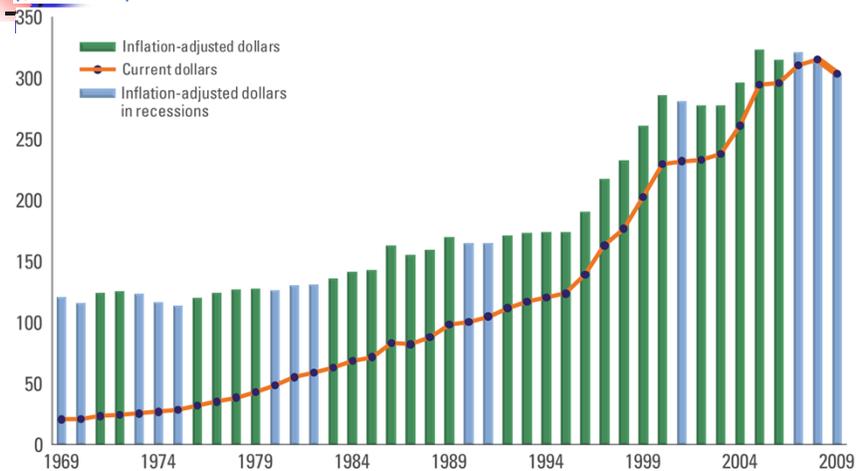


Looking back Giving by Donors 2007-2009

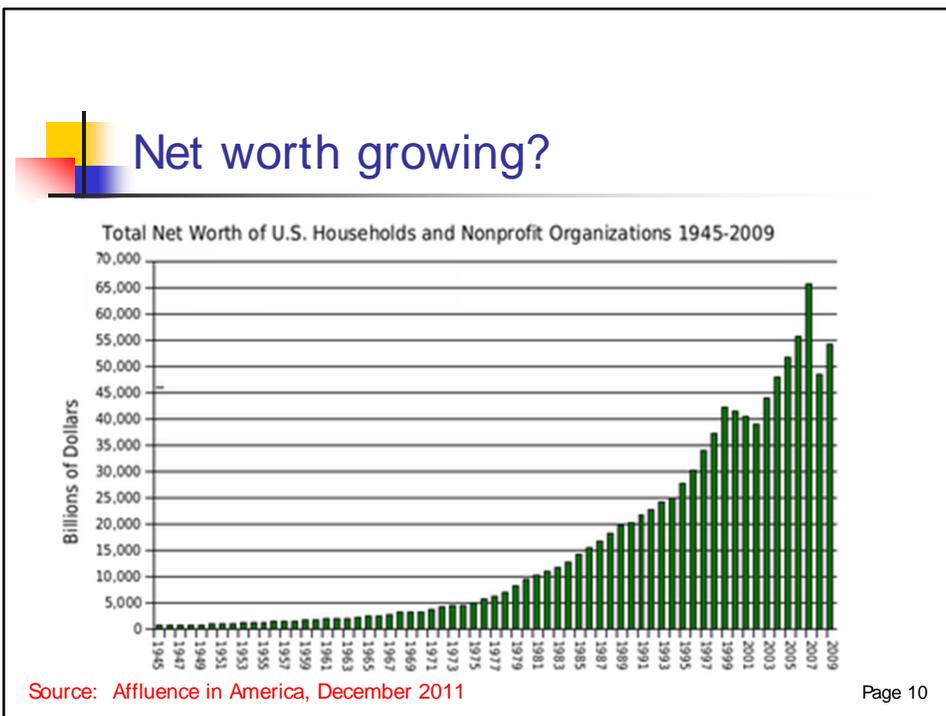
- n Cash gifts **fell 9.7%** while security and non-cash gifts **declined 46%**
- n 90% of the decline in giving from 2007 - 2009 can be traced to donors with incomes of **\$200,000+**
- n Under \$200,000 reduced their giving by 4.3%
- n \$100,000 to \$200,000 incomes reduce their giving by **> .05%**

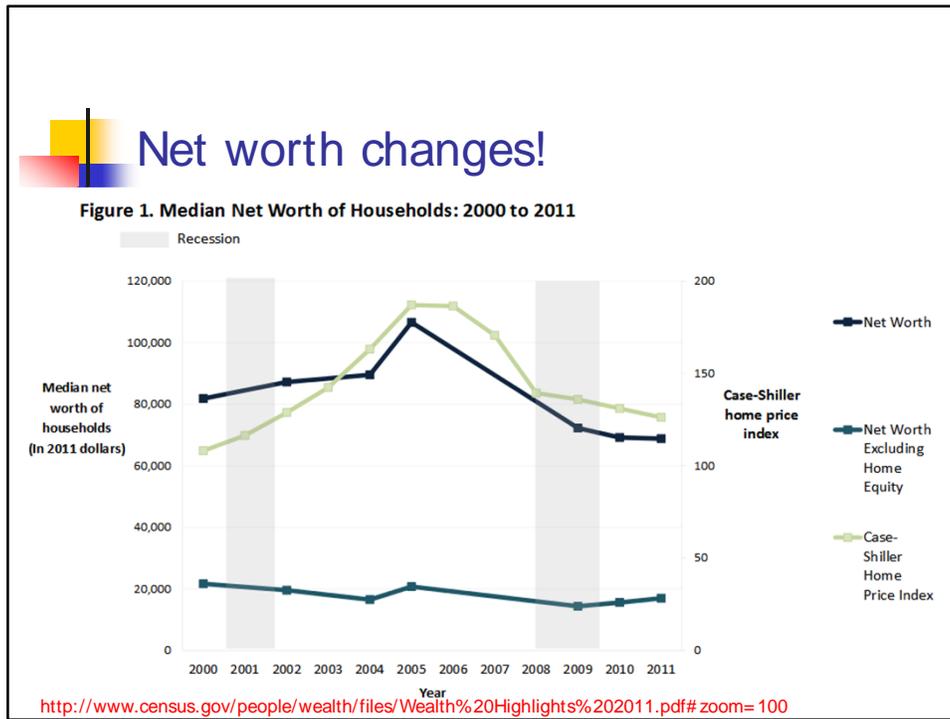
Charitable giving 1969–2009

(\$ in billions)



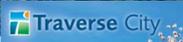
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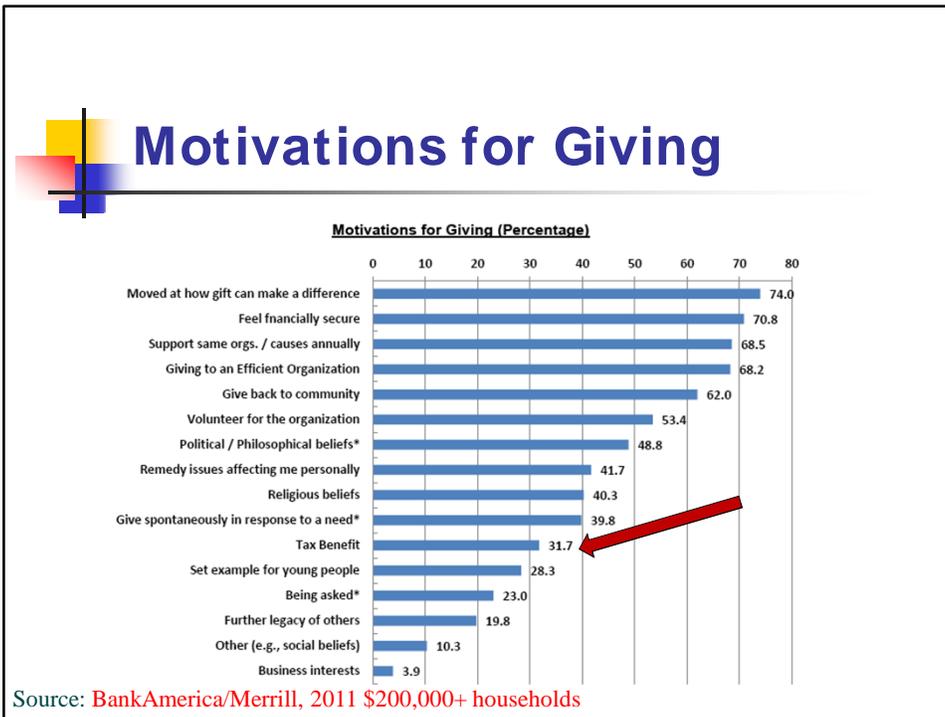
What Motivates Giving

- n **Belief in the Mission**
- n **Feeling financially secure**
- n **Fiscal stability of the charity**
- n **Regard for staff leadership**
- n **Regard for volunteer leadership**




[Plan Your Escape Now >](#)



Ages of Top USA Wealth Holders

Ages of Top USA Wealth Holders*					
	Total	Men	%	Women	%
Total	6,530	3,997	61%	2,533	39%
Under 50	2,318	1,582	68%	736	32%
50-64	2,132	1,408	66%	724	34%
65-75	1,143	638	56%	505	44%
75-84	666	262	39%	404	61%
85+	271	107	39%	164	61%

*All numbers in thousands

Women as a Special Segment



- n Older women
 - n (65 and older)
- n Younger women
 - n (volunteers, Internet-focused, partnership oriented)
- n Women who have businesses
- n Women who inherit wealth
- n Women married to successful businessmen
- n Women who work ordinary jobs and amass wealth
- n Women with interest in specific programs

Why Donors Stop Giving

- n **54%** - Change in financial circumstances
- n **36%** - Change in priorities
- n **16%** - Relocation or death
- n **13%** - Charity did not acknowledge gift
- n **8%** - Charity did not inform how gift was used



Source: [New Direction for Philanthropy Fundraising](#)

Barriers to Philanthropic Planning

- n Your emotional barriers
 - n Not wanting to relinquish **control**
 - n Fear of facing death...**indecision**
 - n Fear of what children will think
 - n Analysis paralysis



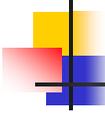
Life cycle giving



Financial Life

Charitable Life





Life cycle giving

Advisor Input

40s - 50s - 60s - 70s - 80s

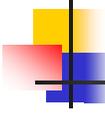
Age / Assets / Plans

Financial / Retirement Life

Charitable Life / Lifestyle

Charitable Intent / Motivation

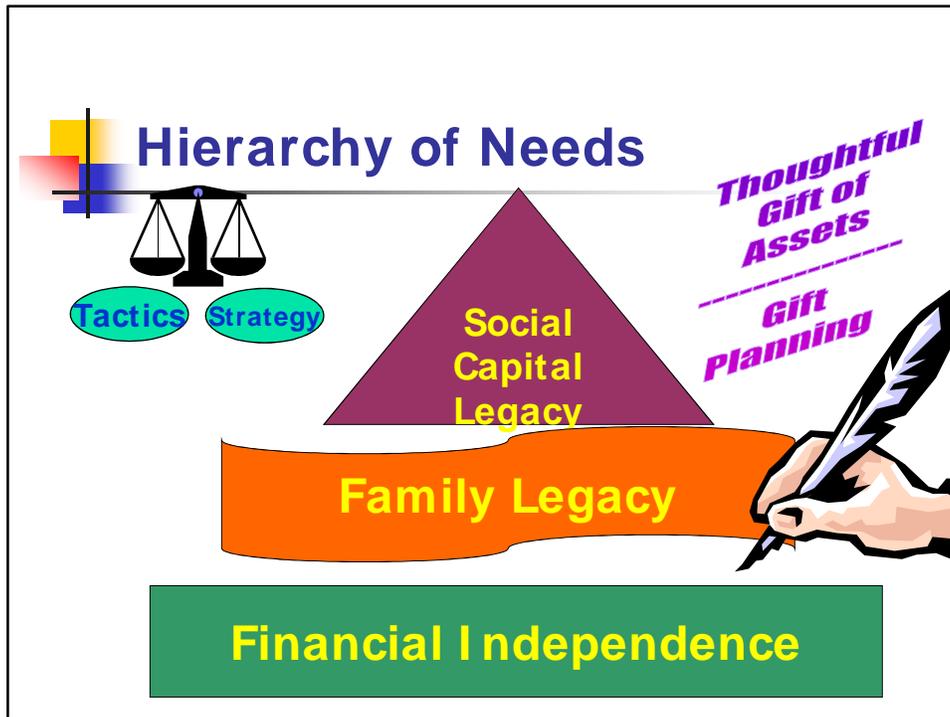
Charity Input



Philanthropy Has Many Faces

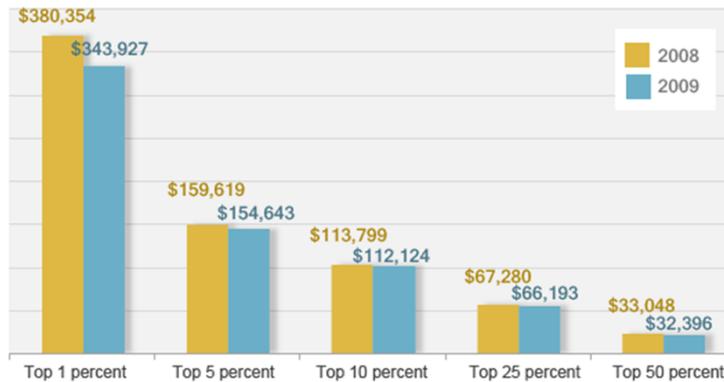
n	Communitarian	26%	★ ★ ★
n	Devout	21%	
n	Investors	15%	★ ★ ★ ★ ★
n	Socialites	11%	
n	Repayers	10%	★ ★ ★ ★
n	Altruists	9%	
n	Dynasts	8%	★ ★

Source: Russell Prince study



- ### Who are the Best Probable Donors?
- n Categories of best prospects – Family situation
 - n A. Single without children
 - n B. Couples without children
 - n C. Singles with successful children
 - n D. Couples with successful children
 - n E. Individuals who are fearful to leave a large inheritance to their children
 - n F. Individuals who believe that their children do not need a large inheritance
 - n G. Individuals who built their wealth in unrealized income assets

How Much You Have to Make to be in the Top 50% of Earners



Source: IRS, Statistics of Income Division, July 2011

The income thresholds are for the amount of AGI on a return, not per taxpayer.

Sorting Your Donors

Green: Ready Now

- n Business owner that may have sold business.
- n Suffered fewer losses with little invested in stock market.
- n Older donor who doesn't seek to delay gift.

Yellow: Delayed Giving

- n Heavily invested in stock market and suffered large losses.
- n Major life event: health problem, death in family, and delayed retirement.
- n Panicked.

Blue: Extended Time Needed

- n Economy has slightly affected donor.
- n May feel more comfortable making smaller gift now, but more next year.
- n Understand donor values and psychology.

Red: Financially Not Possible

- n Prospect has suffered major losses.
- n Filed for bankruptcy.
- n Lost business.

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2013 Federal Tax Rates- Income

Tax Rate	Single Individuals	Married / Joint	Married / Separate	Head of Household
10% on taxable income to:	\$8,925	\$17,850	\$8,925	\$12,750
15% on next taxable income to:	36,250	72,500	36,250	48,600
25% on next taxable income to:	87,850	146,400	73,200	125,450
28% on next taxable income to:	183,250	233,050	111,525	203,150
33% on next taxable income to:	398,350	398,350	199,175	398,350
35% on next taxable income to:	400,000	450,000	225,000	425,000
39.6% on next taxable income above:	400,000	450,000	225,000	425,000

Surcharges: 0.9% on earned income >\$200K, and 3.8% on investment income with AGI of >\$200K (single) and >\$250K (married) for Medicare

2013 Federal Tax Rates- Capital Gains

- n Capital gains rate **0%** for
 - n Tax brackets of 10% and 15%
- n Capital gains rate of **15%** for
 - n Tax brackets of 25%, 28%, 33%, 35%
- n Capital gains rate of **20%**
 - n Tax bracket 39.6%



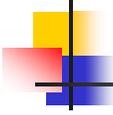
2013 Federal Tax Rates- Gift and Estate Taxes

- n Exempt amount \$5,000,000
 - n Estate taxes
 - n Gift taxes
 - n Generation skipping tax
- n Top tax rate **40%**
- n Indexed for inflation
 - n **2013 \$ 5,250,000 single**
 - n **2013 \$10,500,000 couple**
- n Marital portability
 - n Surviving spouse gets to use the deceased spouse unused exemption amount



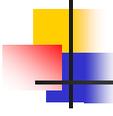
2013 Federal Tax Rates Deductions and Exemptions

- n Itemized deduction limit for **ALL** deductions
 - n “Pease limits” 3% of adjusted gross income over
 - n \$250,000 single AGI
 - n \$300,000 married AGI
 - n Indexed for inflation after 2013
- n Personal exemption limits
 - n Phase-out for AGI over
 - n \$250,000 single AGI
 - n \$300,000 married AGI



2013 Federal Tax Rates- Pease 3% limit

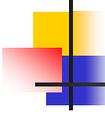
- n Itemized deduction limit for **ALL** deductions
 - n “Pease limits” 3% of adjusted gross income over
 - n \$250,000 single AGI
 - n \$300,000 married AGI
 - n Indexed for inflation after 2013
 - n **Example:** Single with \$300,000 income with deductions of \$100,000(\$10,000 gifts)
 - n For every \$1,000 over limit deductions are reduced 3%
 - n $\$50,000 * 3\% = \$1,500 * 39.6\% = \$594$



Michigan tax rates

- n 4.25% flat rate tax on resident income.
- n Deductions: Certain miscellaneous deductions (political donations; prizes won in state, regulated bingo, raffle, or charity games; **charitable gifts from retirement plans**) are no longer allowed.
- n The credit for contributions to homeless shelters, food banks, and **community foundations** is no longer allowed.

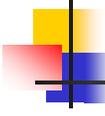
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Limiting the Charitable Deduction

- n **1. Limit Tax Rate Benefits** – Under White House proposals, the benefit of charitable deductions could be limited to 28% even though the tax bracket is up to 39.6%.
 \$1,000 gift at 39.6%, cost \$604
 \$1,000 gift at 28%, cost \$720, a 19% increase
- n **2. Dollar Cap** – The charitable deduction could be limited to a fixed cap such as \$50,000.
- n **3. Dollar Cap all deductions \$50,000** – for high income individuals could reach cap with mortgage interest, and state and local taxes
- n **4. Charitable Floor** – A floor such as 1.8% of adjusted gross income would apply to itemized deductions. Only charitable gifts in excess of this amount would be deductible.
- n **5. Tax Credit** – The system of charitable deductions could be replaced with a tax credit for charitable gifts.

Charitable deduction one of the 10 largest tax expenditures, \$170 billion in 2010



Gift Strategies – Capital Gain Offset



Tax Bracket	Capital Gain	Charitable Gift	Capital Gain Offset
25%	15%	\$1.00	\$1.66
28%	15%	\$1.00	\$1.86
33%	15%	\$1.00	\$2.20
35%	15%	\$1.00	\$2.33
39.6%	20%	\$1.00	\$1.98

Gift Strategies – 2013 Standard Deduction

	Single	Joint	Household	Married Separate
Basic	\$6,100	\$12,200	\$8,950	\$6,100
65+	\$7,600	\$13,400 ⁽¹⁾ \$14,600 ⁽²⁾	\$10,450	\$7,300
Blind	\$7,600	\$13,400 ⁽¹⁾ \$14,600 ⁽²⁾	\$10,450	\$7,300
65+ Blind	\$9,100	\$14,600 ⁽¹⁾ \$15,800 ⁽²⁾	\$11,950	\$8,500

Three Categories of Gifts



- n **Outright gifts** – irrevocable gifts of entire interest made today
- n **Expectancies** – revocable gifts committed for the future use (bequests)
- n **Split-interest gifts** – irrevocable gift arrangements which give a portion to charity and a portion to a non-charitable beneficiary

Wealth and Age Matrix

	<50 YOUNGER	50 70 MIDDLE AGED	>70 OLDER
WEALTHY	A1 Gifts of cash Appreciated property Charitable lead trusts Term of years trusts Life income gifts for others	B1 Gifts of cash Appreciated property Charitable lead trusts Term of years trusts Life income gifts for others	C1 Gifts of cash and property Charitable lead trusts Term of years trusts Life income gifts for others Charitable trusts for life Bequests Gift annuities Life insurance beneficiary Retirement plan beneficiary
MODERATE MEANS	A2 Gifts of cash	B2 Gifts of cash Appreciated property Term of years trusts Charitable trusts for life Pooled income funds	C2 Gifts of cash and property Bequests Charitable trusts for life Term of years trusts Pooled income funds Gift annuities Life insurance beneficiary Retirement plan beneficiary
LIMITED MEANS	A3 Gifts of cash	B3 Gifts of cash	C3 Gifts of cash Bequests Gift annuities Life insurance beneficiary Retirement plan beneficiary

Gift Strategies # 1

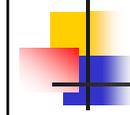
\$100,000 outright cash gift



Tax Bracket	Gift Amount	Government Bonus	Federal Tax Net Cost
25%	\$100,000	\$25,000	\$75,000
28%	\$100,000	\$28,000	\$72,000
33%	\$100,000	\$33,000	\$66,000
35%	\$100,000	\$35,000	\$65,000
39.6%	\$100,000	\$39,600	\$60,400

Gift Strategies # 2

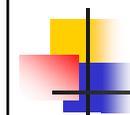
Appreciated property outright gift
Securities or real estate 2013



	A – Give Cash	B – Sell & Give Cash	C- Give Stock
Value	\$10,000	\$10,000	\$10,000
Tax savings (28%)	\$2,800	\$2,800	\$2,800
Capital gains (15%) tax savings (\$4,000 gain)	\$0	\$600 paid	\$600 saved
Total Tax Savings	\$2,800	\$2,200	\$3,400

Gift Strategies # 2a

Appreciated property outright gift
Securities or real estate 2013



- n **Example:** \$100,000 gift of stock with a cost basis of \$20,000 and a \$80,000 capital gain
- n Income tax saving @28% = \$28,000
- n Capital gains tax savings @15% = \$12,000
- n Total tax saving **\$40,000**
- n Net cost of gift **\$60,000**

Gift Strategies # 2b

Appreciated property outright gift, Securities or real estate 2013, long term, big or little gain



	Investment A (\$4,000 gain)	Investment B (\$1,000 gain)	Difference
Fair market value	\$5,000	\$5,000	\$0
Ordinary tax savings (25%)	\$1,250	\$1,250	\$0
Capital gains tax savings(15%)	\$600	\$150	A) \$450 more
Total tax savings	\$1,850	\$1,400	A) \$450 more
After tax cost of gift	\$3,175	\$3,600	B) \$425 less

Gift Strategies # 2c

Capital Gain Offset



- n Capital Gain Offset
- n Tom and Betty 3,000 shares of Merck, cost \$6/share, value \$35/share
- n Gift 1,000 shares (\$35,000)
- n 28% tax bracket, offset @ \$1.86 = \$65,100
- n Sell 2,000 shares net tax-free
- n Use deduction to free up additional value
- n Could sell 2,244 shares with no capital gains tax

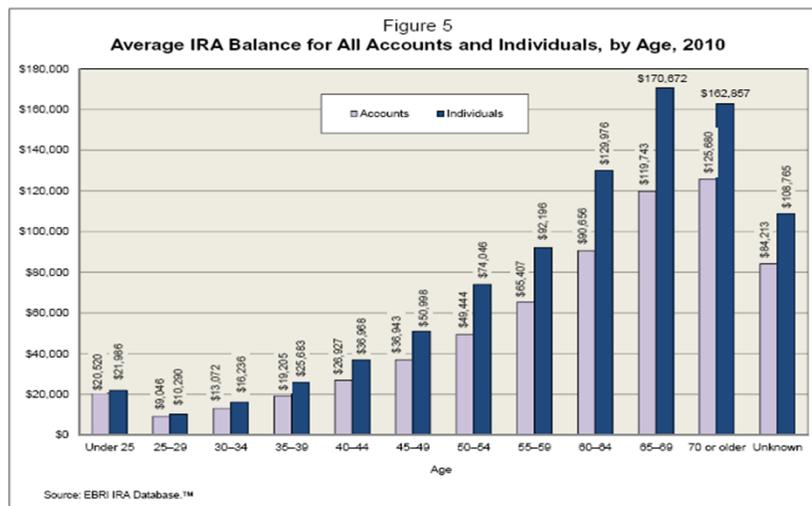
Gift Strategies # 2d A Guide to IRA Charitable Rollovers

- n Approved for 2013 in the American Taxpayer Relief Act (ATRA)
- n IRA account owners 70½ or older may make a direct transfer to qualified charity up to \$100,000 per year
- n Donor profiles
 - n Convenience donor
 - n Standard deduction Donor*****
 - n Generous donor
 - n Major donor
 - n Social security donor

Amount received in IRA gifts of Various Size
(Source: PPP survey 2009)

\$1,000 or less	22.4%
\$1,001 to \$5,000	28.6%
\$5,001 to \$10,000	19.9%
\$10,001 to \$25,000	14.3%
\$25,001 to \$50,000	9.9%
\$50,001 to \$75,000	1.2%
\$75,001 to \$100,000	3.7%

Gift Strategies # 2d A Guide to IRA Charitable Rollovers

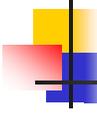




Gift Strategies # 2d

A Guide to IRA Charitable Rollovers

- n Allows for IRA rollovers to charity
 - n Both regular IRA accounts and Roth IRA accounts are eligible, IRA check books
- n Charity must be eligible
- n Individual must be 70 ½ or older on the date of contribution
 - n Qualified Charitable Distribution will qualify for the Required Minimum Distribution requirements of IRA
- n \$100,000 limit
 - n \$200,000 from couple with separate accounts
- n Transfers from other pensions and profit sharing plans, i.e. Keogh, 401k, 403b, etc., are not allowed
 - n Possible to rollover above accounts to IRA if plan and time permit



Gift Strategies # 2d

A Guide to IRA Charitable Rollovers

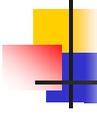
- n Eligible charities
 - n 501(c)3 public charities
 - n 509(a)1 and section 170(b)(1)(A)
 - n Field of interest funds
 - n Restrictions on use of gifts permitted (i.e. scholarship funds or building funds)
 - n Not Permitted
 - n 509(a)(3) supporting organizations
 - n Especially effects some hospital foundations
 - n Donor advised funds
 - n Private foundations



Gift Strategies # 2d

A Guide to IRA Charitable Rollovers

- n Permitted transfers/gifts
 - Qualified Charitable Distribution (QCD)
 - n Outright gifts only
 - n No charitable gift annuities
 - n No charitable remainder Unitrusts
 - n No charitable remainder annuity trusts
 - n No pooled life income funds
 - n No “quid pro quo” gifts
 - n No personal benefits
 - n No special events
 - n No athletic tickets



Gift Strategies # 2d

A Guide to IRA Charitable Rollovers

- n Donor Profile – Convenience Donor
 - n Most delay taking distributions until the last quarter of the year in order to grow the remaining funds tax free
 - n If actively making charitable gifts may consider the benefits of taking them from their IRA account(s)
 - n No inclusion in income
 - n No income tax deduction
 - n Qualifies for Minimum Required Distribution (RMD)

Gift Strategies # 2d

A Guide to IRA Charitable Rollovers

- n Donor Profile – Non-Itemizers
 - n May be donors with modest IRA account balances, but sufficient retirement income from personal investments and tax-exempt accounts
 - n Taking MRD may not significantly increase their lifestyle
 - n Do not have significant tax deductions
 - n State and local income taxes
 - n Interest expenses
 - n Medical expenses
 - n Charitable deductions
 - n So the standard deduction applies (2013), over 65
 - n Married/Joint - \$15,800 one / \$14,600 two
 - n Single - \$9,100
 - n Head of household - \$11,950

YOUR GIFT	YOUR GOAL	HOW IT WORKS	YOUR BENEFITS
 Bequest	<ul style="list-style-type: none"> • Maintain control of your assets during life • Make a gift to charity at your death 	You designate our organization as the beneficiary of your asset by will, trust or other instrument.	<ul style="list-style-type: none"> • Estate tax charitable deduction • Life use and ownership of your property
Charitable Gift Annuity (CGA)	<ul style="list-style-type: none"> • Receive fixed income for life • Avoid capital gains tax on the sale of your appreciated property • Enjoy the benefit of tax savings from a charitable deduction 	You transfer your cash or appreciated property to our organization in exchange for our promise to pay you fixed income (with rates based on your age) for the rest of your life.	<ul style="list-style-type: none"> • Charitable tax deduction • Fixed income for life • Partial bypass of capital gain • Possible tax-free payments
Charitable Remainder Trust (CRT)	<ul style="list-style-type: none"> • Transfer your appreciated property without paying capital gains tax • Enjoy regular income for life or a term of years • Receive the benefit of tax savings from a charitable deduction 	You transfer your cash or appreciated property to fund a charitable trust. The trust sells your property tax-free and provides you with income for life or a term of years.	<ul style="list-style-type: none"> • Charitable tax deduction • Income for life or a term of years • Possible income growth over time • Avoidance of capital gains tax
Charitable Lead Trust (CLT)	<ul style="list-style-type: none"> • Give cash or property to your family in the future • Avoid substantial gift or estate tax 	You transfer your cash or property to fund a lead trust that makes a gift to us for a number of years. You receive a charitable deduction for the gift. Your family receives the remainder at substantial tax savings.	<ul style="list-style-type: none"> • Gift or estate tax deduction • Asset and appreciation passes to family at a reduced cost
Life Estate Reserved	<ul style="list-style-type: none"> • Remain in your home for life. • Receive a charitable income tax deduction 	You give your property to our organization but retain the right to use the property during your life.	<ul style="list-style-type: none"> • Charitable tax deduction • Lifetime use of property
Bargain Sale	<ul style="list-style-type: none"> • Transfer your property and receive cash or debt relief without paying substantial taxes 	We purchase your property for less than fair market value. You receive the cash and a charitable deduction for the difference between the market value and purchase price.	<ul style="list-style-type: none"> • Cash from sale • Charitable tax deduction • Partial bypass of capital gain



Gift Strategies # 4

Gifts by Will, Trust or Beneficiary Designation

- n All bequests are
 - n Revocable
 - n Do not qualify for a current charitable income tax deduction
 - n Do qualify for a future charitable estate tax deduction, if needed
 - n Represent future expectancy income for chaity
- n **8% of those who have a will have included a charitable bequest**
- n **14% of those who do not have a will are considering a charitable bequest**
- n **17% of 2009 taxable estates included a charitable bequest**

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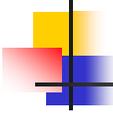


Gift Strategies # 4

Gifts by Will, Trust or Beneficiary Designation

- n 1. Bequest of specific \$\$\$\$\$ amount or specific property
 - n Example: \$10,000 to favorite charity **or** my house at 123 Main Street to favorite charity
- n 2. Bequest of a specific percentage amount of estate assets
 - n Example: 25% of my estate to favorite charity and the balance to my church
- n 3. Residuum of specific amount or percentage
 - n Example: 25% of estate after specific bequests to friends and family to favorite charity

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Gift Strategies # 4

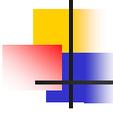
Gifts by Will, Trust or Beneficiary Designation

- n 4. Contingent bequests
 - n Example: If my brother does not survive me I give his share to my favorite charity

- n 5. Life insurance beneficiary designations
 - n Specific amount or percentage
 - n New or existing policy
 - n Charity owner and beneficiary with donor paying premiums makes the premium gift fully deductible

- n 6. Retirement plan beneficiary designations
 - n Specific amount or percentage
 - n IRA, 401(k), 403(b), Roth IRA, Keogh plans
 - n Recommended because of possible double taxation

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Gift Strategies # 4

Gifts by Will, Trust or Beneficiary Designation

- n 7. "Pay on death" for bank accounts

- n 8. "Transfer on death" for investment accounts

- n 9. Provide an income & property to a spouse, children, grandchildren, or others and then provide a gift to charity
 - n Testamentary gift annuity
 - n Testamentary Unitrust or Annuity Trust

- n 10. Disclaimer

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Gift Strategies # 4

Gifts by Will, Trust or Beneficiary Designation

- n 11. Testamentary gift that provides an income to your charitable interests for a awhile and then provide the property to your children, grandchildren or others
 - n Testamentary Charitable Lead Trust

YOUR GIFT	YOUR GOAL	HOW IT WORKS	YOUR BENEFITS
Bequest	<ul style="list-style-type: none"> • Maintain control of your assets during life • Make a gift to charity at your death 	You designate our organization as the beneficiary of your asset by will, trust or other instrument.	<ul style="list-style-type: none"> • Estate tax charitable deduction • Life use and ownership of your property
Charitable Gift Annuity (CGA)	<ul style="list-style-type: none"> • Receive fixed income for life • Avoid capital gains tax on the sale of your appreciated property • Enjoy the benefit of tax savings from a charitable deduction 	You transfer your cash or appreciated property to our organization in exchange for our promise to pay you fixed income (with rates based on your age) for the rest of your life.	<ul style="list-style-type: none"> • Charitable tax deduction • Fixed income for life • Partial bypass of capital gain • Possible tax-free payments
Charitable Remainder Trust (CRT)	<ul style="list-style-type: none"> • Transfer your appreciated property without paying capital gains tax • Enjoy regular income for life or a term of years • Receive the benefit of tax savings from a charitable deduction 	You transfer your cash or appreciated property to fund a charitable trust. The trust sells your property tax-free and provides you with income for life or a term of years.	<ul style="list-style-type: none"> • Charitable tax deduction • Income for life or a term of years • Possible income growth over time • Avoidance of capital gains tax
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Life Estate Reserved	<ul style="list-style-type: none"> • Remain in your home for life. • Receive a charitable income tax deduction 	You give your property to our organization but retain the right to use the property during your life.	<ul style="list-style-type: none"> • Charitable tax deduction • Lifetime use of property
Bargain Sale	<ul style="list-style-type: none"> • Transfer your property and receive cash or debt relief without paying substantial taxes 	We purchase your property for less than fair market value. You receive the cash and a charitable deduction for the difference between the market value and purchase price.	<ul style="list-style-type: none"> • Cash from sale • Charitable tax deduction • Partial bypass of capital gain

Gift Basics # 5 Bargain Sale



- n Charity acquires property for less than the fair market value
- n Donor is able to transfer property and receive cash plus an income tax charitable deduction
- n Donor benefits
 - n no market wait
 - n minimum closing costs
 - n no commission
 - n no selling stress
- n Charity sell property and retains proceeds

Gift Basics # 5 Bargain Sale Real Estate

- n Mr. & Mrs. Brown sell their vacation home
 - n value \$300,000
 - n cost \$150,000
 - n gain \$150,000
 - n tax \$22,500 (15%)
 - n net \$277,500
 - n (does not include selling expenses or state taxes)



Gift Basics # 5 Bargain Sale Real Estate

- n Mr. & Mrs. Brown sell their vacation home to charity for \$200,000
 - n cash \$200,000
 - n cost \$100,000
 - n gain \$100,000 on sale portion
 - n tax \$15,000 (15%)
 - n net \$185,000
 - n Charitable deduction: \$100,000
 - n taxes saved: \$28,000 (28%) + \$7,500 (15%)
 - n total to donors: \$220,500
 - n (does not include selling expenses or state taxes)



Gift Basics # 5- Bargain sale -Stock

BARGAIN SALE

Prepared For Warren Buffett



1. When property sold at bargain price to charity, income tax deduction saves \$12,109. Capital gain bypass on gift portion may save \$4,391.

2. Long term capital gain is the difference between sale price and basis allocated to sale. Tax of \$12,109 on gain is offset by charitable income tax saving.

3. Net to donor is cash benefit plus net taxes saved or \$95,403. Donor reduces taxes by \$16,500 and makes \$34,597 gift.



Split-Interest Gifts

- n Allows a donor to make a charitable gift while retaining certain rights and benefits to the gifted property, **increased income and decreased taxes**
- n Part gift, part investment
- n Charitable income tax deduction for the portion gifted to charity
- n Donor may also avoid capital gains taxes, gift and estate taxes

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What is a Charitable Gift Annuity?

- n Contract with Charity..gift arrangement
- n Assets are irrevocably transferred
- n Donor receives fixed guaranteed lifetime payments
- n Payments begin immediately or may be deferred
- n Payments depend upon age, number of beneficiaries and type of annuity
- n Part Gift – Part Investment



Candidates for Gift Annuity # 1

- Ⓔ Certificates of deposit are maturing...
“Desires more income”
- Corporate bonds are being called...
“Desires lifetime payments”
- ∑ Has excess life insurance policy...
“Desires conversion without taxes”
- Municipal bonds being called...
“Desires tax-free payments”





Candidates for Gift Annuity# 2

- ⌘ Freeze value of appreciated stock
“Apple or Google Effect”
 - Freeze value of stock that is declining
“Enron Effect”
- ∑ Convert dividend income to fixed guaranteed payments
“Dividend Converter and Extender”
 - Tax-free exchange of variable annuity



Candidates for Gift Annuity # 3

- ⌘ Older spouse wishes to give younger spouse lifetime income starting at death of older spouse
“Lifetime Partnership”
 - Young professional saving for retirement
“Charitable Retirement Annuity”

Annuity payment rates

Single Life

Age of Donor	Payment Rate
60	4.40%
65	4.70%
70	5.10%
75	5.80%
80	8.20%



Two Life

Age of Donors	Payment Rate
60/60	3.90%
65/65	4.40%
70/70	4.60%
75/75	5.00%
80/80	5.90%



ACGA rates effective January 1, 2012

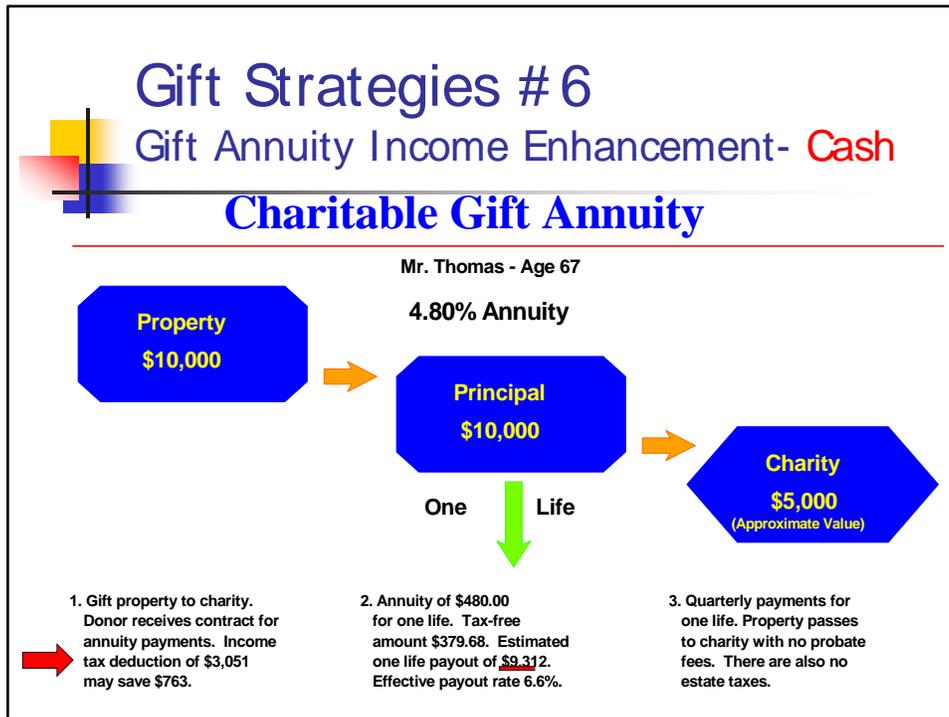


Types of Gift Assets

- n Cash
- n Securities
- n Bonds - Corporate
- n Bonds - Municipal
- n **Bonds - US Savings**
- n Real Estate
 - n residence
 - n vacation home
 - n investment property
- n Mutual Funds

- n Life Insurance
- n Variable Annuity
- n Personal Property
- n Business Interests
 - n S - corp
 - n C - corp
- n **Retirement Assets**
 - n IRA
 - n Keogh
 - n Pension & Profit Sharing plans
 - n 401k, 403b plans



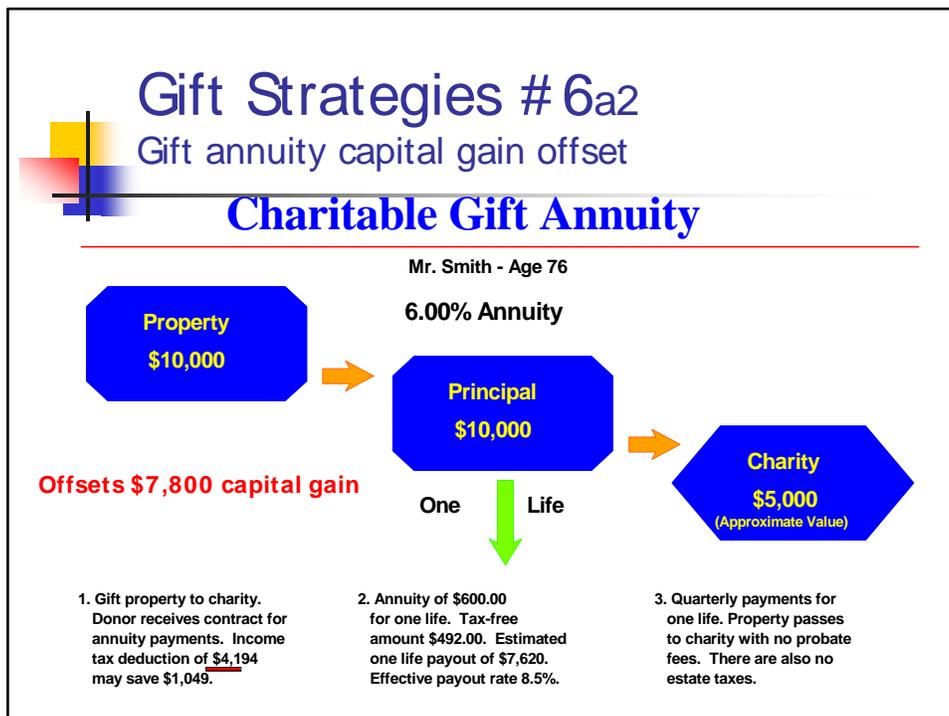
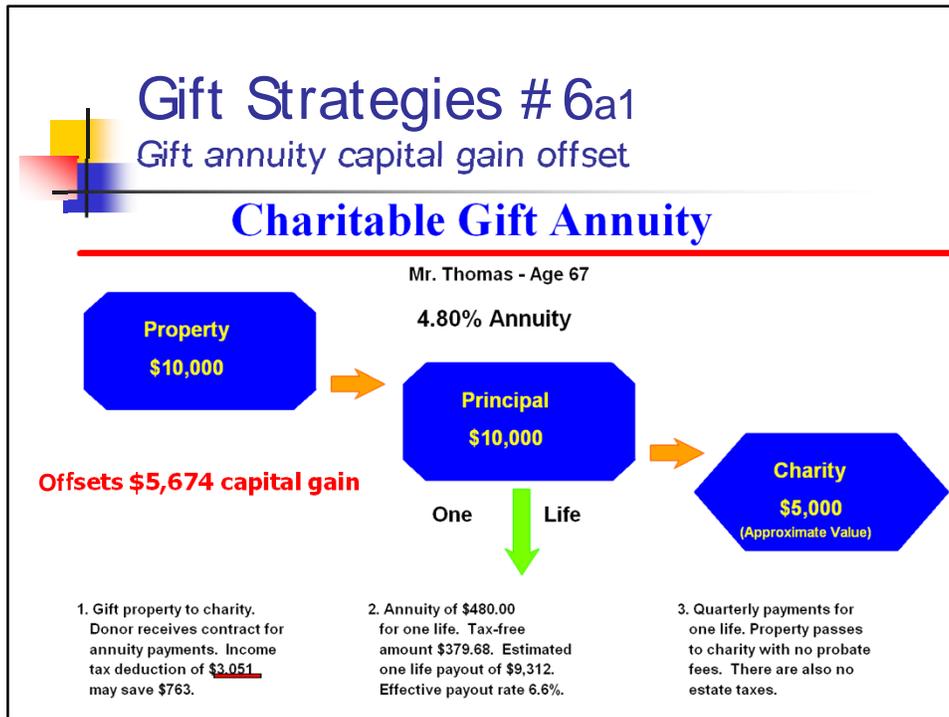


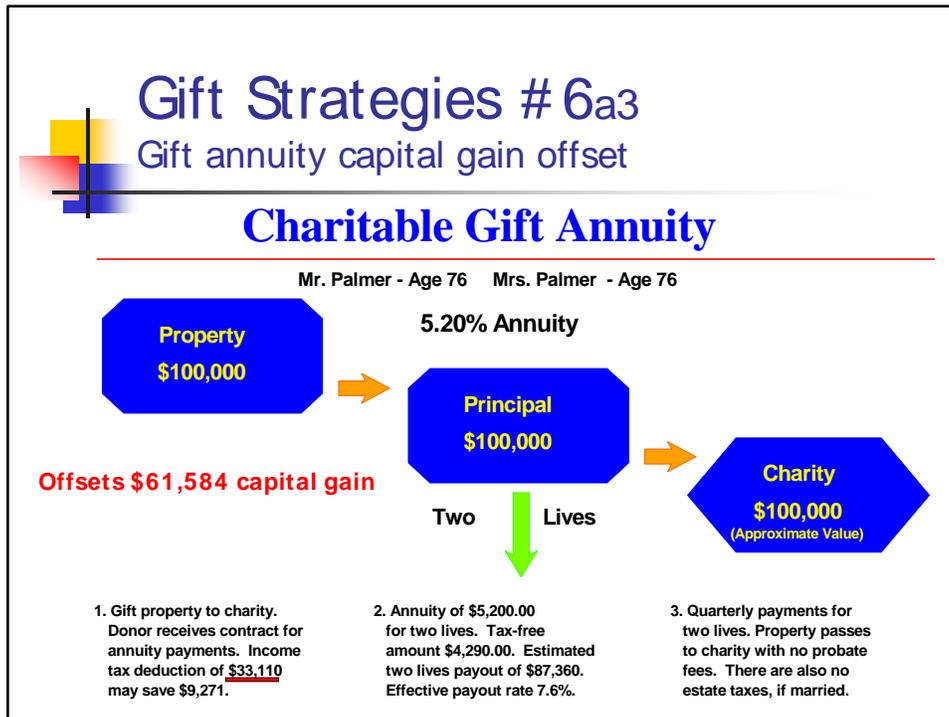
Gift Strategies # 6

Gift Annuity Income Enhancement- **Stock**

Prior to Gift		After the Gift	
Invested in stock	\$100,000	Contributed	\$100,000
Dividends (2%)	2,000	Cost basis	\$25,000
Tax (15%)	\$300	Payment rate	4.80%
Net spendable	\$1,700	Total payment	\$4,800
		Ordinary income	\$1,003
Capital if Sold		Capital gains	\$2,848
Fair market value	\$100,000	Tax-free*	\$949
Cost basis	25,000	Tax OI 28%	-\$280
Capital gains tax (15%)	\$11,250	Tax CG 15%	-\$427
Net capital	\$88,750	Net spendable	\$4,093
		Bonus savings	\$8,542

* tax-free to 2030



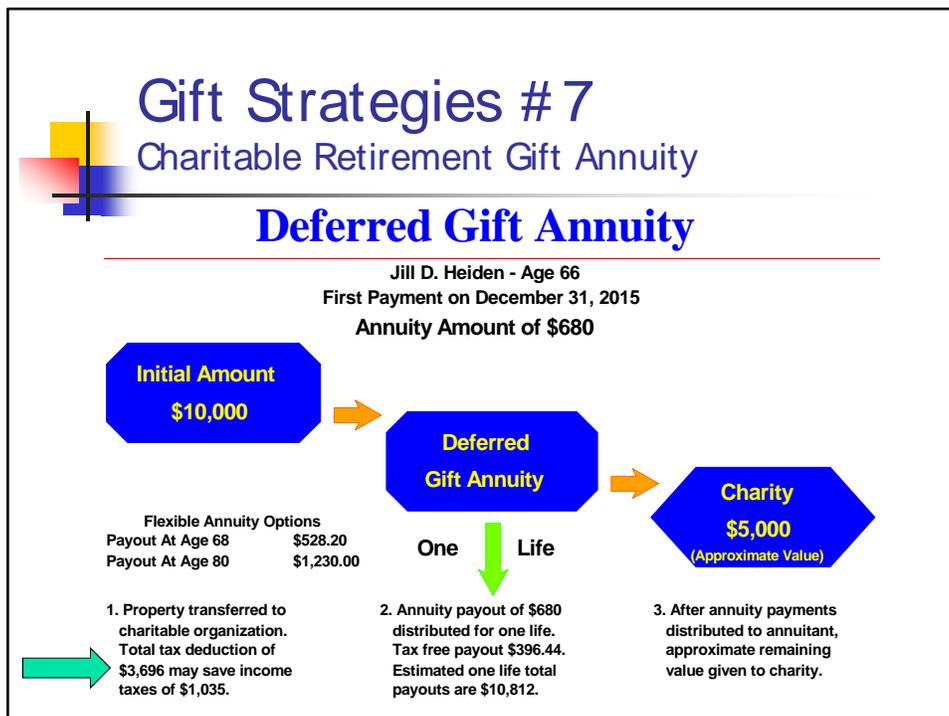
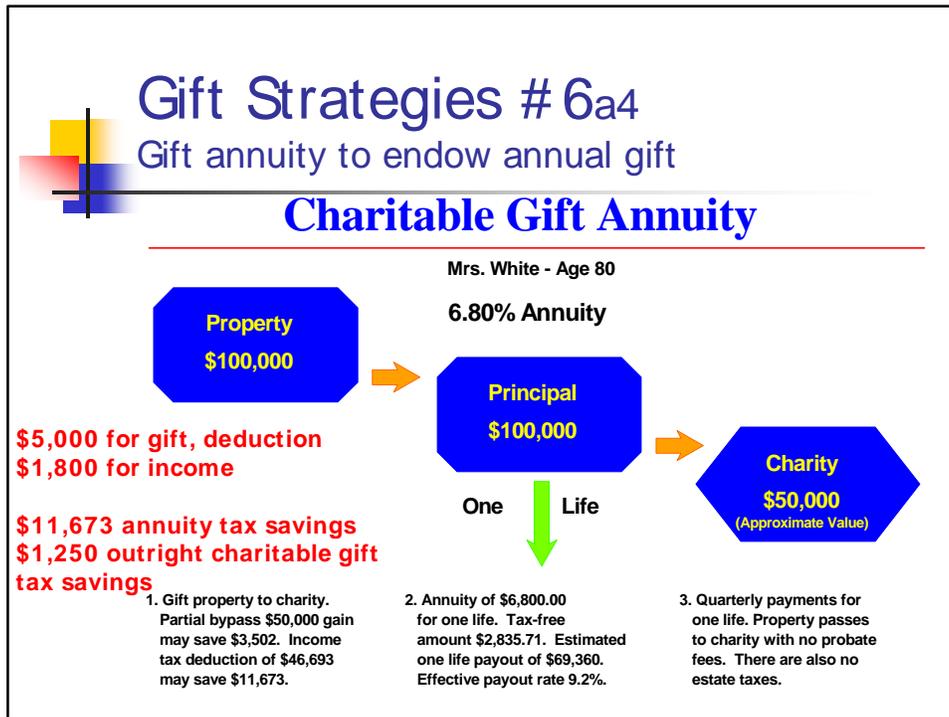


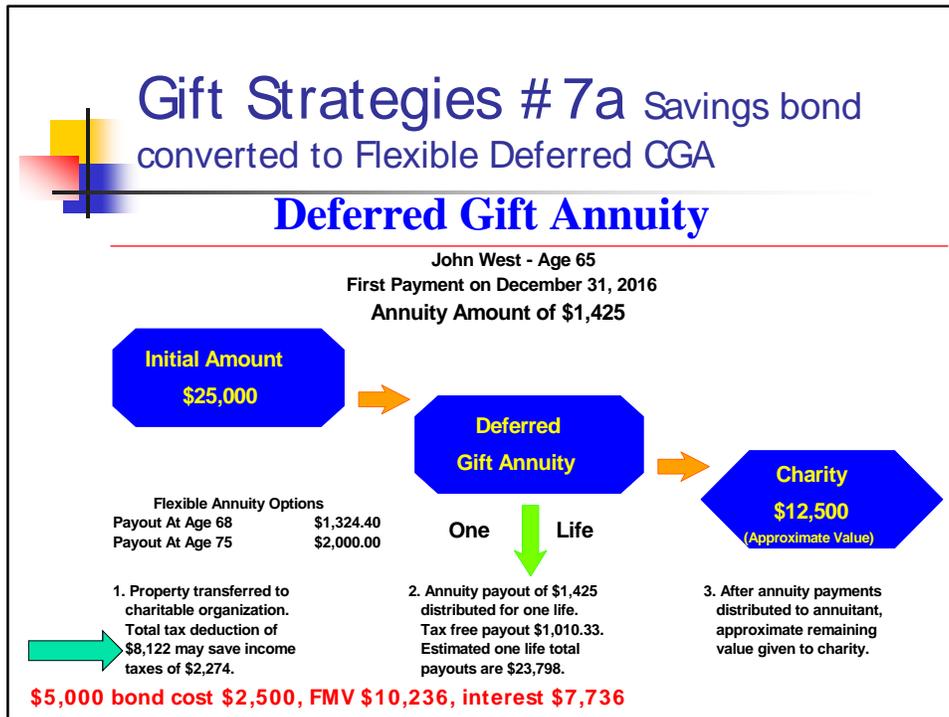
Gift Strategies # 6a4

Gift annuity to endow annual gift



- n Female donor, age 80 contributes \$5,000 per year to annual fund
- n Gift annuity rate age 80 = 6.8%
- n Stock, bond, mutual fund portfolio
- n Select \$100,000 in stock paying 2.1% dividend
- n Result: no decrease in donor income, \$5,000 annual gift, future residuum of gift annuity, large deduction



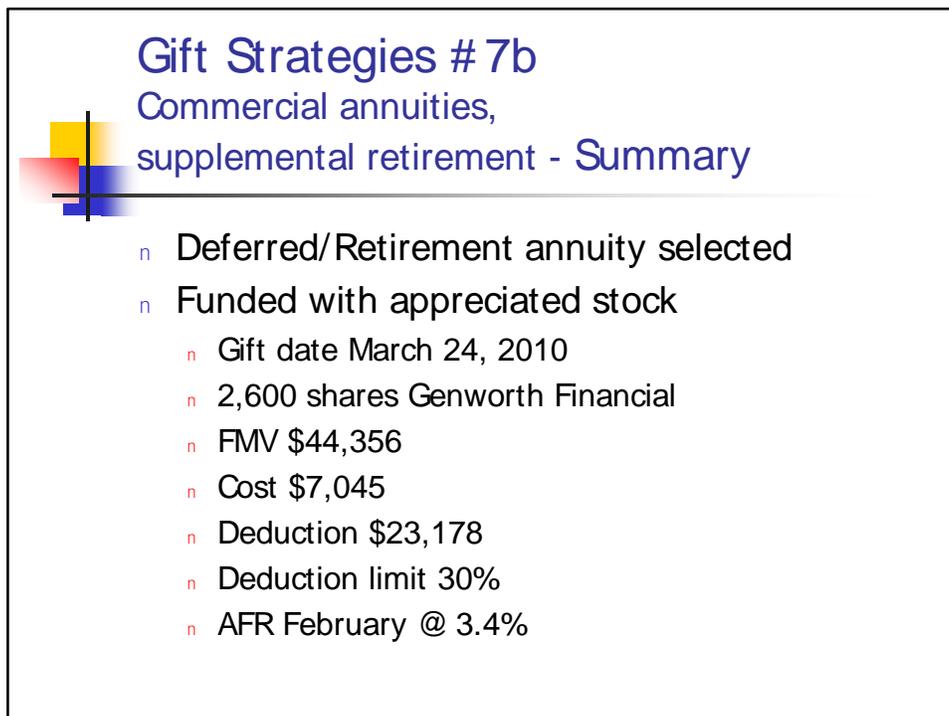
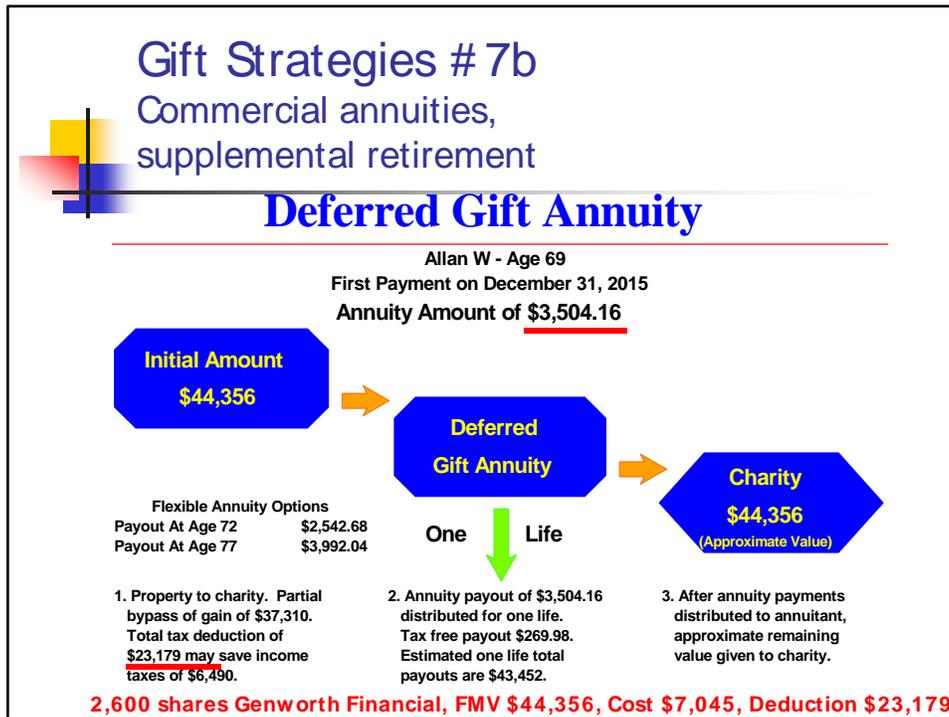


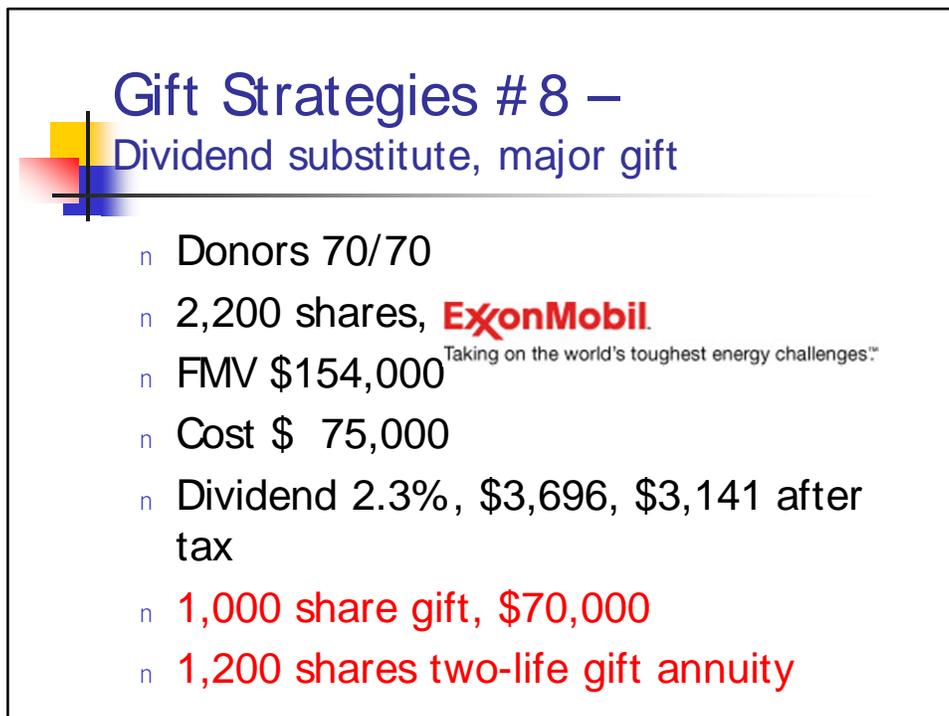
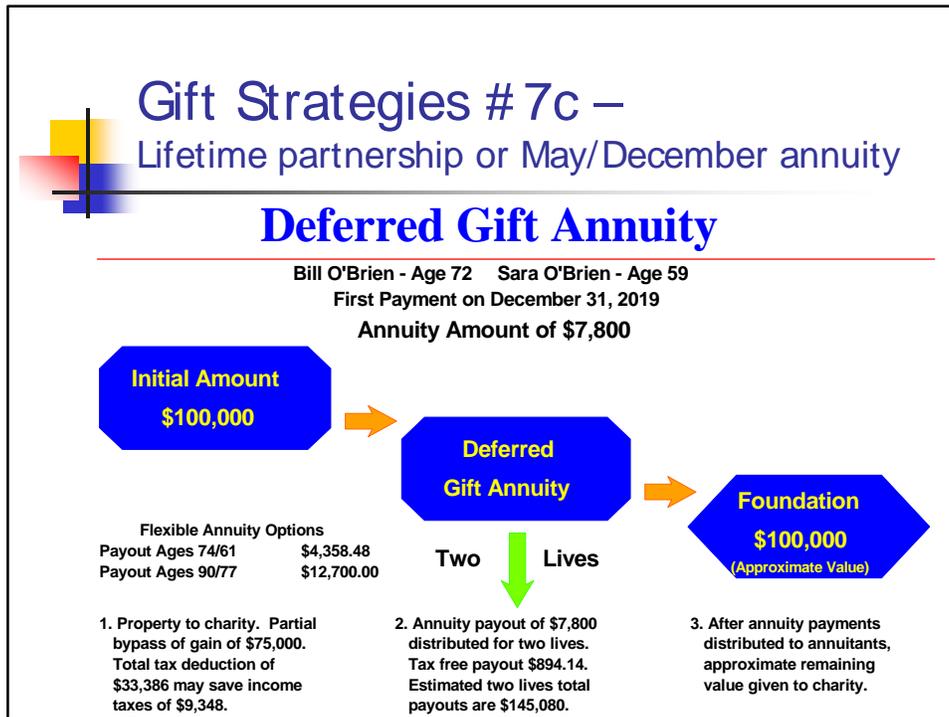
Gift Strategies # 7b Commercial annuities, supplemental retirement

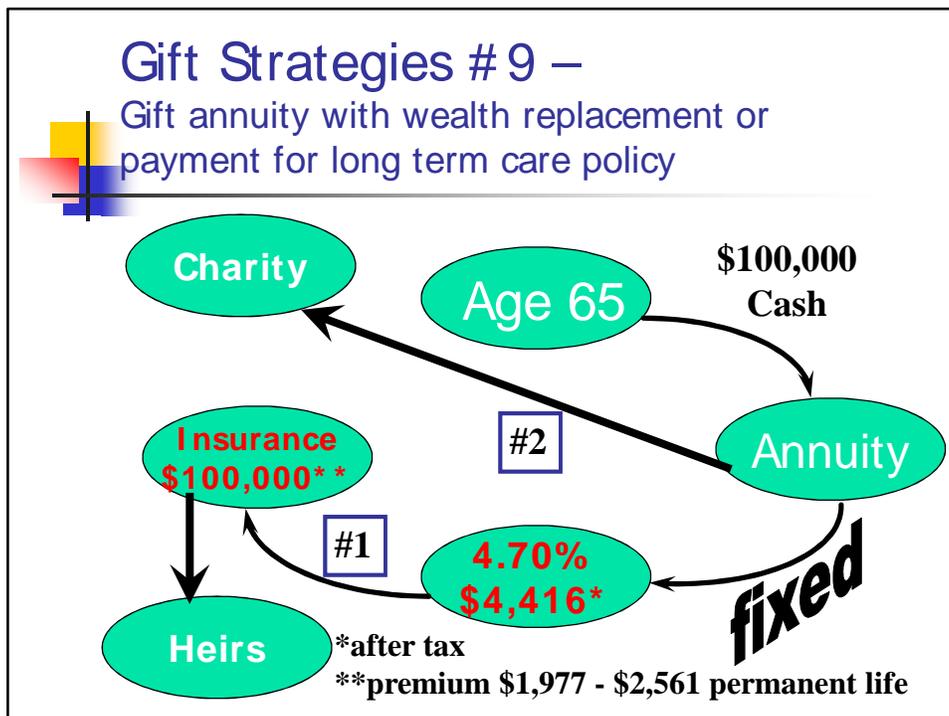
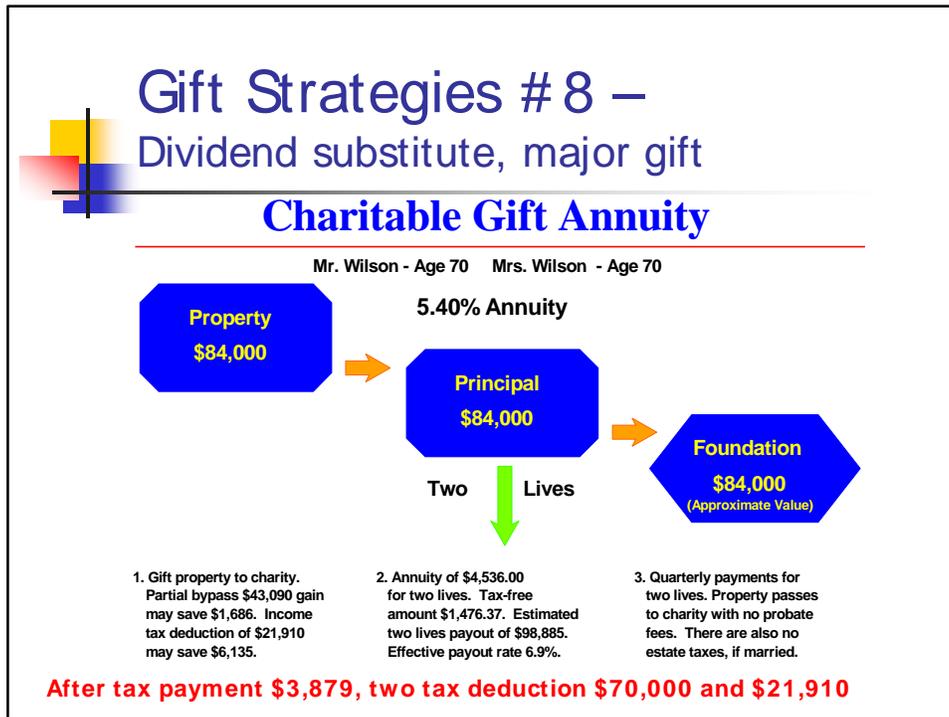
- n DOB February 25, 1941, age 69, Married
- n Assets:
 - n 2 USAA annuity contracts
 - n # 1 FMV \$23,988
 - n Taxable gain \$13,988
 - n # 2 FMV \$17,057
 - n Taxable gain \$7,057
 - n **Total assets: \$41,045**
 - n **Total gain: \$21,045**
 - n AGI \$175,000
 - n Tax rates 33%, 15%



- n Charitable intent
- n Cash in annuity assets
- n Offset gain with charitable gifts
- n Possible immediate or future income
- n No income for spouse
- n Other charitable gifts this year







Gift Annuity Strategies # 10- Roth Conversions

1. Fund gift annuity with stock or cash
 - n Increased income and chartable deduction
2. Use charitable deduction to offset taxability of IRA withdrawal to fund Roth IRA conversion



Gift Strategies # 11- Testamentary bequests

- n Beneficiary designations
 - § will or trust
- n Retirement plans
 - n 401(k), 403(b), Keogh, Traditional IRA, Roth IRA
- n Savings bonds
- n Life Insurance
- n Beneficiary can be 100%, partial interest or contingent
- n Will/trust can create a CGA for beneficiary

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What is a Charitable Trust?

- n Individually designed tax-exempt trust agreement
- n Assets are irrevocably transferred
- n Donor(s) or Beneficiaries receives fixed or variable payments for life or term of years
- n Payments are not guaranteed
- n Payments depend on rate selected with a minimum of 5% payout (IRS regulation)
- n Payments depend upon type of trust selected
- n Part Gift --- Part Investment

Types of Charitable Trusts

- n **Total return or standard payment CRT**
 - n Beneficiary receives X% (minimum 5%) of the annual fair market value of the trust assets
 - n As the value of the assets increase or decrease the beneficiary payment increases or decreases
- n **Income only CRT**
 - n Beneficiary receives only the ordinary income (interest and dividends) generated by the trust investments
 - n Payments change as the income generated by the trust investments change
 - n May include a makeup provision when income would exceed the payout rate in future years
 - n Capital gains may be defined as income



Types of Charitable Trusts



- n **FLIP Charitable Remainder Trust**
 - n established first as an **income only** CRT which changes or FLIPs to a standard payment or **total return** CRT upon the occurrence of a stated trigger event
- § The trigger event may be a set date (age 65?), an event (death of spouse), or a combination of a date or event (age 65 or my remarriage which ever occurs first)
- § Normally sale of hard to value assets

Types of Charitable Trusts

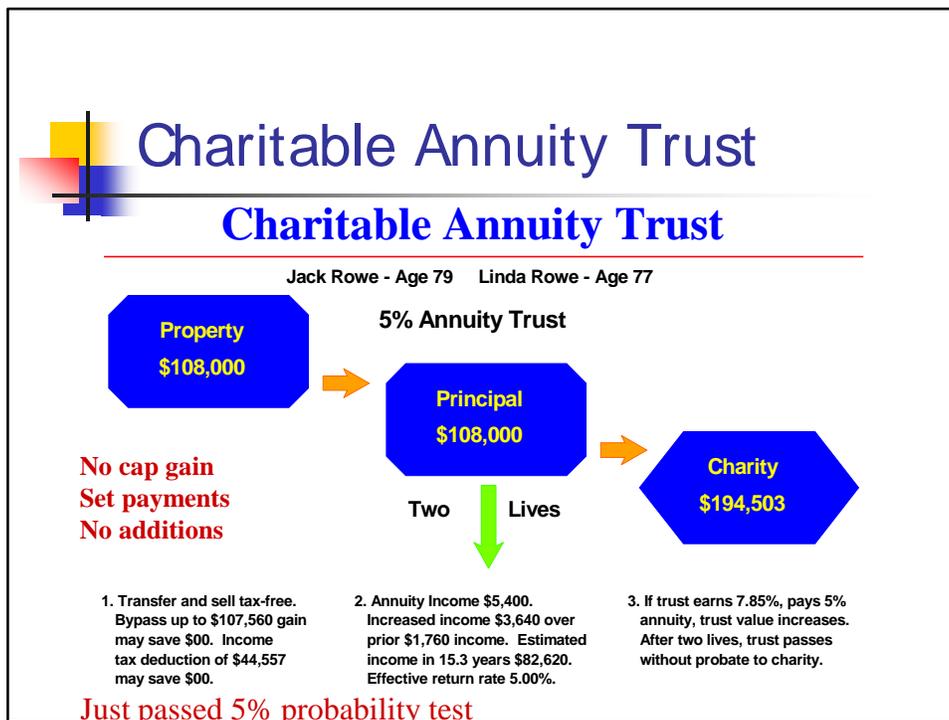
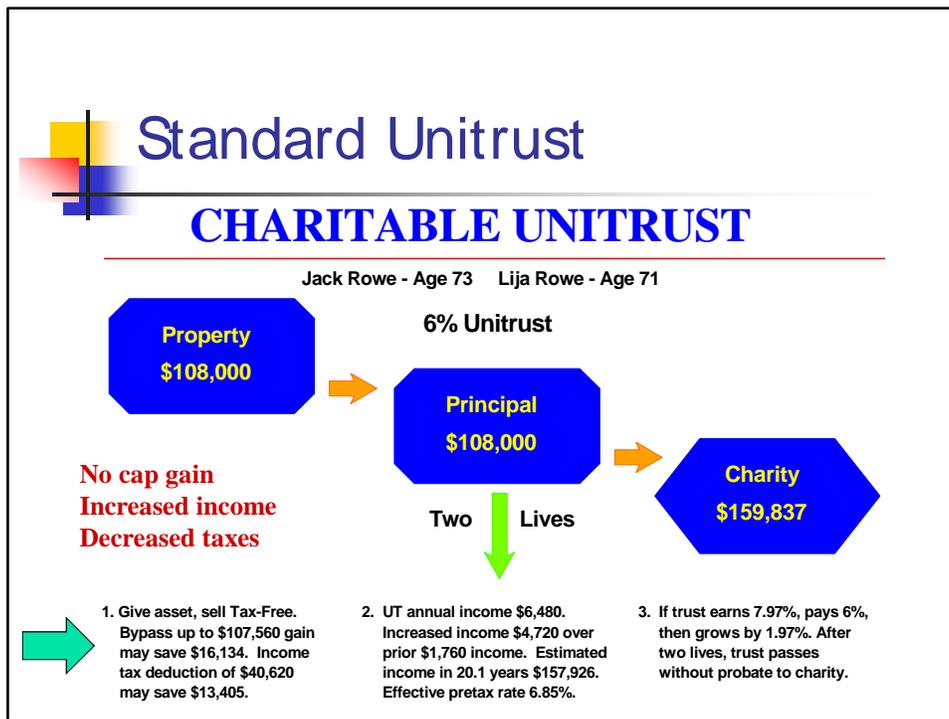
- n Charitable Remainder Annuity Trust
 - n beneficiary receives a fixed percentage or a set dollar amount of the initial trust assets (minimum 5%)
 - n no additions to the trust allowed

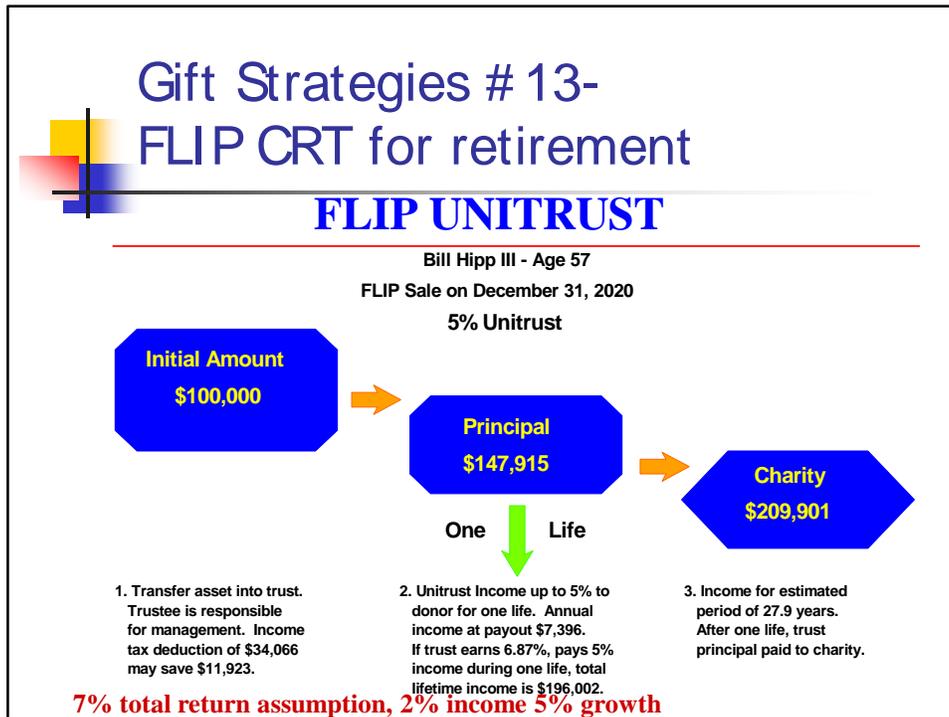


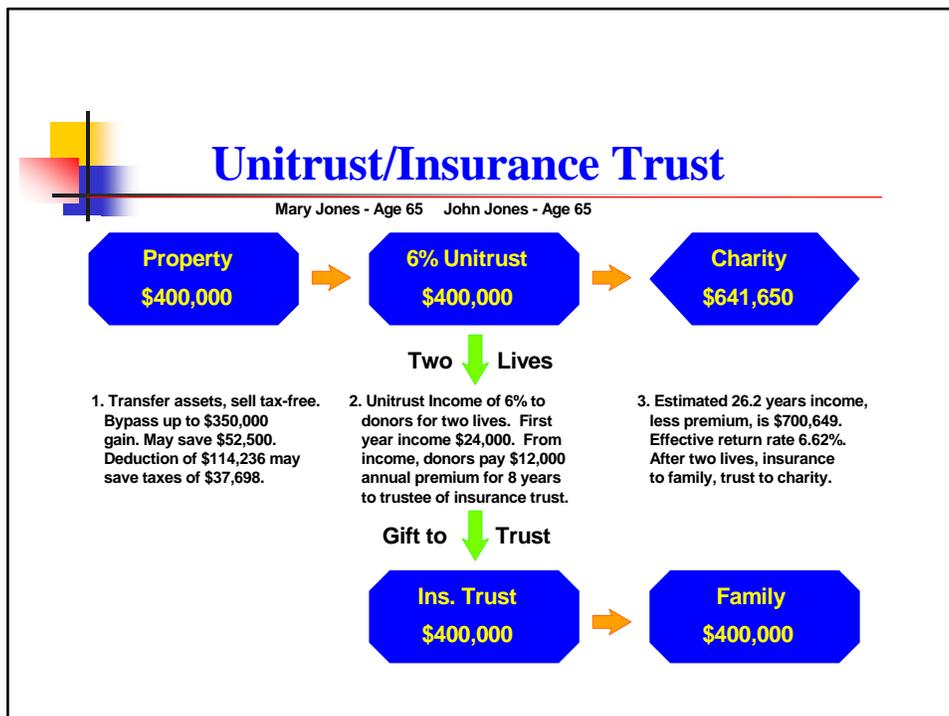
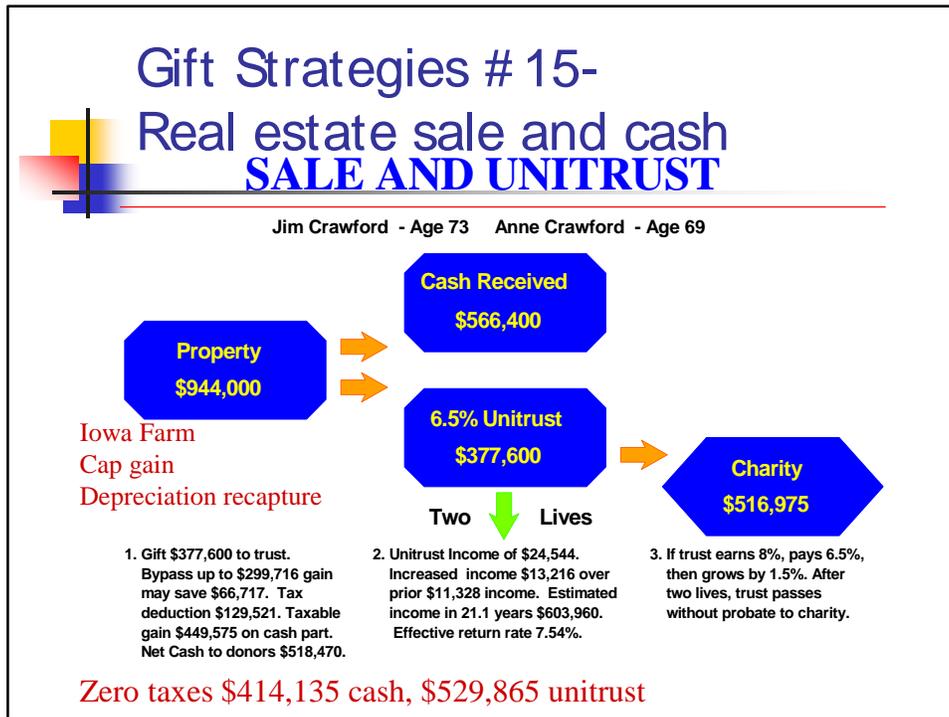
Gift Strategies # 12- Standard CRT with appreciated stock

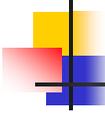
- n Donors age 73 & 71
- n Stryker Corp @ \$54/share
- n Cost \$0.44/share
- n Return \$1.63/share, \$3,260(\$2,771net)
- n 2,000 shares transfer to CRT
- n Value \$108,000











CGA from a CRT or CRAT

- n It is possible to convert a poorly functioning charitable remainder unitrust to a charitable gift annuity
- n Donor transfers their income interest
- n Donor obtains additional 30% of AGI charitable deduction, income interest is a capital as



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Types of Real Estate

- n Personal residence
- n Vacation home
 - n Non-rental
 - n Rental property
- n Commercial property
 - n Used in taxpayers business
 - n Motels, recreational parks
- n Condominium
- n Farmland
- n Investment real estate
 - n Apartments, office buildings
- n Raw land



The image shows a real estate advertisement. At the top, it says 'HOUSE FOR SALE' in white text on a purple background. Below that, it says 'Exclusively CALL 555-0900' in white text on a light blue background. The main image is a photograph of a two-story house with a white exterior and a brown roof. A large red 'SOLD' sign is placed in front of the house. Below the house, there is a photograph of a house with a grey roof and white walls. At the bottom, there is a photograph of a set of keys on a blue background.

Gift of Real Estate

- n Outright Gift
- n Bequest
- n Bargain Sale
- n **Life Estate**
- n Gift Annuity for 85%
- n 18 month Deferred Annuity
- n Installment Sale
- n Unitrust and Sale
- n Charitable Lead Trust



The image shows three scenic landscape photographs. The top photograph is a harbor with several sailboats and buildings along the waterfront. The middle photograph is a sunset over a mountain range with a lake in the foreground. The bottom photograph is a view of a lake with mountains in the background under a blue sky with clouds.

Life Estates

- n When a donor establishes a life estate they transfer a “personal residence” (IRC §163) or farm and retain the right use the property during his/her/their lifetime.



Life Estate

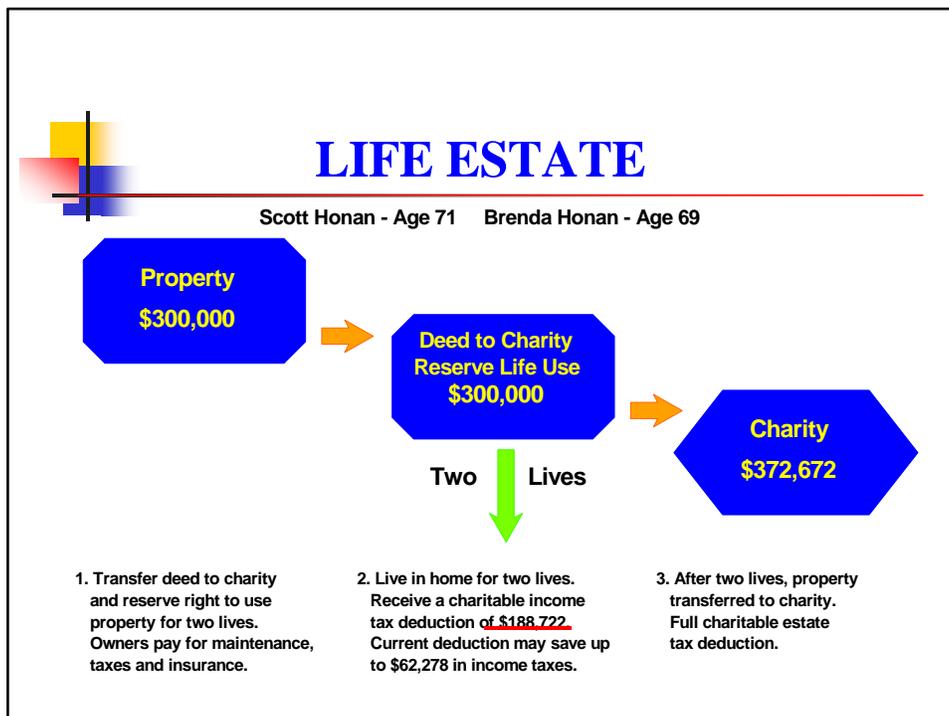
- n Significant income tax deduction offsets other fully taxable income or capital gains on the sale of other assets
 - n tax free social security, dividends, IRA withdrawals, etc.
- n No market wait
- n Minimum closing costs
- n No commission
- n No selling stress





Life Estate

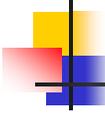
- n Financial benefits
 - n Income tax deduction which when placed on their tax return will lower their income and decrease their taxes
 - n 30% limit
 - n Gift taxes
 - n No tax for spouse transfer
 - n Tax on transfer to non-spouse if life estate is immediate
 - n No tax for non-spouse beneficiary if testamentary right to revoke is retained
 - n Estate taxes
 - n None for one life agreement
 - n May be estate tax on two-life non-spouse agreement



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Substantiating charitable gifts

- n Close is not good enough
- n Gifts under \$250, donor must have a bank record or written communication from charity with name, date and amount of gift
- n Over \$250, donor must have written receipt and include a statement that no goods or services were received in return for the transfer
- n Over \$500 donor must file 8283 for personal property gifts
- n Over \$5,000 donor must file 8283 and have appraisal of personal property but not securities



Helpful Internet Sites

- n Planned Giving Design Center
 - n www.pgdc.com
- n American Council on Gift Annuities
 - n www.acga-web.org
- n Guidestar
 - n www.guidestar.org
- n Leave a Legacy
 - n www.leavealegacy.org

