The Planned Giving Conversation

Courtesy of the Allegan County Community Foundation

2014

WHY GIVE LIFE INSURANCE?

- The amount of your gift is certain.
- Proceeds from life insurance are paid promptly and are not part of the probate process.
- Life insurance is not a matter of public record.
- It is as simple as naming the charity of your choice as the beneficiary.

THE GIFT OF LIFE INSURANCE

How To Make A Gift Of Life Insurance

With An Existing Policy – If you have a policy that was purchased several years ago but the need for that coverage no longer exists, you can contribute the policy to the charity of your choice instead of cashing in the policy. BENEFIT: By changing the ownership and beneficiary of the policy to the charity of your choice, you will receive a charitable income tax deduction. Additionally, if your make future annual gifts of the policy's premium, you will receive an additional charitable tax deduction each year.

Beneficiary Designation – If you have a continued need for the life insurance coverage, you can choose to designate the charity of your choice as a contingent beneficiary. The charity would receive the proceeds only if your other beneficiaries die before you. You can also choose to name the charity as the beneficiary of a portion of the coverage.

With a New Policy – Multiply the effect of your gift! By purchasing a new policy and naming the charity of your choice as the owner and beneficiary, the gift you make of annual premiums become fully income tax deductible. For pennies on the dollar, you can contribute a significant gift while realizing generous tax deductions.

While it is not necessary to contact the charity to donate a gift of life insurance, we encourage you to discuss your plans for your gift with the charity's staff. A brief conversation can provide you with peace of mind knowing your intentions have been documented and researched to determine viability.

We look forward to helping you achieve your charitable goals through the gift of life insurance.

**The Allegan County Community Foundation is working with the Allegan County non-profit sector to develop a sustainable future. We are available to the non-profits and their donors to assist with planned giving conversations.*

WHY GIVE REAL ESTATE?

- **Real estate is a gift with multiple tax benefits.**
- **Because the value of the property can be a significant benefit for your charitable interests.**

THE GIFT OF REAL ESTATE

How to Make a Gift of Real Estate

Outright Gifts: A person can take an income tax deduction for 100% of the fair market value of real estate held for more than one year. In addition, the capital gains taxes due when the property is sold are by-passed when the real estate is gifted. The outright gift of the property reduces your taxable estate.

The amount of income tax deduction that can be used in any one year is limited to 30% of adjusted gross income. Any excess deduction can be carried forward for up to five additional years.

> **EXAMPLE:** If your adjusted gross income for the year is $100,000, up to $30,000 of an outright gift of real estate given to benefit the charity of your choice is deducted this year. Any amount over $30,000 may be carried forward for up to five additional years

Gift by Will is the most common way to make a gift of real estate. Your estate will receive a 100% charitable deduction for the full fair market value of the property with no limit on the amount.

Gifts of Property While Retaining Income is a win-win situation when you no longer want to own real estate, desire lifetime income and want to make a gift to benefit the charity of your choice. By establishing a Charitable Remainder Trust the ownership of the real estate is transferred to the trust, the trust then sells the property and reinvests the proceeds to provide a stream of income for life.

BENEFITS:

- **Increase your income for life**
- **Remove financial and personal burdens of property management**
- **Receive an immediate charitable income tax deduction**
- **By-pass estate settlement costs**
- **Provide tax-free growth of assets inside the trust**
- **Gain the satisfaction of making a gift today that benefits your charity in the future**

Gifts of real estate can be extremely beneficial and satisfying, but require careful planning.

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THE GIFT OF SECURITIES

U.S. tax laws offer a triple tax benefit for gifts of securities (stock, bonds and mutual funds) that have increased in value since purchase or acquisition.

Tax benefits donors can receive are:

1. Charitable income tax deduction
2. Avoidance of capital gains taxes
3. Reduction of potential estate taxes

The following example shows the tax benefits from gifts of securities versus a gift of cash.

GIFTS OF STOCK VERSUS GIFTS OF CASH

	Gift of STOCK	Gift of CASH
Value of Gift	$100,000	$100,000
Income tax savings (25% tax bracket)	$ 25,000	$ 25,000
Capital gains tax savings (15% on $80,000 gain)	$ 12,000	$ 0
	$ 37,000	$ 25,000

How is the value of the gift determined?

Your tax deduction for a gift of actively traded securities is determined by the average of the highest and lowest quoted sales price on the date of the gift. For a gift of mutual fund shares, your deduction is the public redemption value of the shares on the date of the gift.

The date used to value your gift of securities depends upon the way the securities are delivered:

- hand-delivered --- the gift is effective on the date of delivery
- mailed --- the gift is effective on the postmark date, assuming the stock power(s) and stock certificates(s) are received in due course
- held in “street name” (in a brokerage account) the date they are transferred to Non-Profit ABC is the date of the gift
- For mutual fund shares, the gift is effective when the donors’ shares are transferred into Non-Profit ABC’s account with the mutual fund company.

How much is the deduction?

The amount of income tax deduction that can be used in any one year is limited to 30% of adjusted gross income. Any excess deduction can be carried forward for up to five additional years.

EXAMPLE: If your adjusted gross income for the year is $100,000, up to $30,000 of a gift of securities to Non-Profit ABC is deducted this year. Any amount over $30,000 may be carried forward for up to five additional years.

Please contact the charity of your choice or the Allegan County Community Foundation for the form to make a donation of securities.

THE GIFT OF RETIREMENT PLANS

Many of us take advantage of generous tax incentives to encourage saving for retirement. Known as "qualified" retirement plans, these plans [Individual Retirement Accounts (IRAs), 401(k), Keogh and others], feature income tax benefits when contributions are made to the plan. Plus, the money in the plan accumulates tax-free until it is withdrawn for retirement.

AVOID DOUBLE TAXATION

If you choose up-front not to pay taxes by saving for retirement in a qualified plan, your family will be required to pay the taxes later…and quite likely in significant ways.

When your qualified plan terminates, most likely at the end of your life or that of your spouse, the plan can potentially be subject to double taxation: Estate Tax and Income Tax.

HOW TO MINIMIZE OR AVOID HEAVY TAXATION

Beneficiary Change – Simply change the beneficiary designation on your account to the charity of your choice. Favorable IRS rules have made this option more attractive without increasing your required minimum distributions at retirement.

Contingent Beneficiary – Naming a charity as a contingent or secondary beneficiary gives your heirs the right to decline their right to receive your account assets should they decide not to pay the potentially heavy taxation on the account assets.

Income for Family – Your retirement account's value may be preserved and income provided to your family with the use of a Charitable Remainder Trust (CRT). Using a CRT could greatly reduce your federal estate taxes. Additionally, no income taxes would be payable on your retirement account assets.

Asset Replacement – In some situations, it may benefit your family to name the charity of your choice as the beneficiary of your retirement assets. A new life insurance policy would replace the value of your retirement plan, eliminating the tax consequences for your heirs.

While it is not necessary to contact the charity to donate a gift using retirement plans, we encourage you to discuss your charitable goals for your gift. A brief conversation can provide you with piece of mind knowing your intentions have been documented.

Your retirement plan could be taxed as much as 63% if you don't do the proper planning!