

Y E A R - E N D
C H A R I T A B L E
G I V I N G

a donor's guide

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YOUR GUIDE TO Year-End Charitable Giving

Most of us want to be in a financial position to do more for those who need our support. Our government's tax laws offer incentives that encourage support of the works and dreams of organizations and institutions that are making a difference in the world. Through careful planning, a year-end gift can allow you to do more for others than you may have anticipated and still improve your own position, both today and tomorrow.

A gift to us provides you with a feeling of personal satisfaction and demonstrates your belief in our mission. It may also result in a more tangible return—in the form of desirable tax benefits. Charitable contribution deductions on your current income tax return and capital gains tax savings are of foremost benefit. Future estate tax savings may also result from your gift.

There are many questions on charitable giving to consider before this year draws to a close. When should you give? What should you give? How much should you give?

When Should You Give?

For those who itemize deductions, a gift made before January 1 is deductible in the year in which it is made. If you have had to take the standard deduction in the past, a gift in the appropriate amount may increase your deductions above the standard. This qualifies you for a greater tax benefit.

Why does the tax deduction help? Because it makes the cost of donating a charitable gift less than the value received by the charity. Let's look at an example.

Say a person who pays taxes at a 30 percent federal rate makes a gift of \$1,000 this year. It's as if that person has actually spent only \$700. The \$300 difference is the tax that the donor would have paid if no gift had been made.

Without the deduction, the donor might make a gift of only \$700 (the same cost). Because of the deduction, the charitable organization benefits by \$300 more. This means the gift generates 43 percent more benefit to charitable causes because of the deduction.

Generally, the effect of the deduction is that the higher your income tax bracket, the more you'll save in taxes. Many states also allow an income tax deduction for charitable gifts, so often the total tax savings are higher than those generated by the federal income tax deduction.

What Should You Give?

Thoughtful gifts are not only still possible this year, but are also practical for many donors. In addition, these gift suggestions may serve as sensible strategies beyond this year.

Gifts of Cash

Nothing is as simple and direct as giving cash. You can make a general donation, and we will utilize your gift for our greatest current need. You may also designate a large gift for a specific

purpose. A receipt from us documents your contribution of more than \$250. A gift of cash may be deductible up to 50 percent of your adjusted gross income. Gifts in excess of 50 percent may be carried over as deductions into the next five years.

However, you aren't limited to giving us cash. In fact, your tax benefits may be even greater if you give us other property, such as assets that have appreciated in value.

Gifts of Securities

Stocks or other investments that have grown in value and that you have held for more than one year can become a substantial gift, made to us at a low net cost to you. You still receive a charitable deduction for the donation of these assets, and it's based on their fair market value on the date of the gift. But there's a bonus—you avoid all federal capital gains tax that would otherwise be due on a sale of the assets.

Or, take a capital loss yourself. If you own securities worth less now than when you purchased them, sell them and contribute the proceeds to us. Then you can take a capital loss on your tax return—a tax break that is not available to us should you give us the securities directly.

Gifts of Real Estate

Perhaps your first thought is that you don't own property near our location to donate for our use. The fact is, almost any real estate, developed or undeveloped, is potentially a charitable

gift. If you've owned your home or other real estate for a long time, likely it has increased in value significantly. If you'd like to help fulfill our mission, your property opens the door to a unique giving opportunity: donate the property to us outright, place it in trust or retain the use of it for life. All of these methods will enable you to enjoy personal financial benefits while supporting our work in a meaningful way.

Before you sell real estate that would result in a sizable capital gains tax, consider donating the property to us—you'll avoid the tax and realize a charitable deduction for the full fair market value of the property.

Particularly effective for your purposes is real estate you have owned for more than one year that is producing little or no income for you. You can turn the property into a new income flow through an income-producing charitable gift plan such as a *charitable remainder trust*, which is highlighted later in this brochure.

If you like the tax advantages that a charitable gift of real estate would offer, but you want to continue living in your personal residence for your lifetime, consider a *retained life estate*. By deeding your home to us now, you can still obtain valuable tax savings. Even though we would not actually take possession of the residence until after your lifetime, you get an immediate income tax charitable deduction because the gift cannot be revoked. The amount of the deduction depends on the value of the property and your age (and the age of any other person given life use). You can make a retained life estate

arrangement with any personal residence, including a vacation home, condominium, stock in a cooperative housing corporation (if it is used by you) or a farm.

A charitable gift of real estate is advantageous for many reasons.

- Either an outright gift or a remainder interest results in valuable income and estate tax deductions, and tax on the capital gain can be avoided.
- Giving us outright use of the property now will free you from the responsibilities and costs of looking after it.

Gifts of Life Insurance

As you review your year-end financial status, remember that a no-longer-needed life insurance policy is a viable gift. Policies that are paid up may be deductible as gifts for their replacement value (unless that value is greater than the tax or cost basis).

Policies that still require premiums to be paid can be given, and the future premiums are deducted from annual income tax. The donor may qualify for income tax deductions when the organization receiving the policy is named as owner and beneficiary. This is possible in those states where the charitable organization is deemed to have an insurable interest in the donor's life. A new policy on your life naming us as beneficiary guarantees us a future gift as well.

Gifts That Provide Income

Many givers find themselves in a position of holding assets that would make beautiful gifts at some time in the future but

currently are required to provide for present needs. By placing such property into a *charitable remainder trust*, a unique gift arrangement can be made that would provide income for a donor and perhaps a donor's beneficiary as well. At the end of a specified period (such as the donor's or the beneficiary's lifetime), the remainder of the trust assets would be given to us.

Charitable remainder trusts are built with assets you contribute, such as securities, appreciated property or cash. Once placed in trust, the assets can be sold (avoiding capital gains tax) and the proceeds reinvested to produce a higher yield for the donor or other beneficiaries. Such an arrangement creates an immediate income tax deduction (based on such factors as the beneficiary's age and the amount of annual income). It precludes any capital gains tax. It allows personal and family needs to be met, and it provides a wonderful gift for us.

Gift arrangements that provide income are numerous and may be valuable to explore, particularly for those considering retirement. It is common for people to take care of present income needs by making a contribution through a life income gift.

Effectively Timing Your Gift

To provide your estate with a valuable deduction for year-end, timing becomes an issue that requires attention. To benefit from a deduction this year, the effective date of the gift also must be in this year. For example, if you are issuing a check to the charitable organization of your choice, the effective date of your contribution is the date it is hand-delivered or postmarked.

Gifts of securities, on the other hand, require more planning to ensure a deduction this year. The gift is made on the day the charitable organization receives a properly endorsed stock certificate, or an unendorsed stock certificate and a properly endorsed stock power. If making a gift of securities through the mail, it is best to send each of these documents separately. The date of your gift in this instance is the date of the latest postmark. Stock that is held in an account can be transferred into a temporary account in the charitable organization's name through your broker. The broker should then call the organization for instructions on transferring the securities. The value of your gift and the date of the gift are both determined by the date of the transfer, which is the date the securities are received in the charitable organization's account.

The actual date of a gift of real estate is the date the charitable organization receives the signed deed. Even though this part of the transaction can wait until the end of the year, you will want to start the procedure earlier to ensure that a qualified appraisal is completed before the gift is made. You should also contact the charitable organization in advance, as it will need to determine the acceptability of the gift and consider the environmental condition of the property.

What Really Matters

The availability of the income tax deduction helps a charitable person be even more charitable. The focus on the end of the

year is designed to remind donors of the date by which a gift must be made to take advantage of the deduction.

Neither, however, is a substitute for the desire to help charitable organizations. We know that if you support us, it's because you believe in our mission. And for that, we thank you.

As you contemplate the kind of year it has been and your charitable plans for the future, please feel free to call on us. We can provide you with additional information on the variety of gift options and tax-saving strategies that are especially suited to end-of-the-year giving, or about other gift planning options. Together with your tax advisor, we can help you plan and implement a year-end charitable gift to us that takes advantage of available tax benefits and reflects your generous spirit. Our help is given in strict confidence and without obligation.

The information in this publication is not intended as legal advice. For legal advice, please consult an attorney. Figures cited in examples are based on current rates at the time of printing and are subject to change.

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