PLANNING FOR THE FUTURE

Guideposts Foundation

Your financial security and the security of those you care about most will be affected by the plans you make today and in the future.

Seven ways to plan

Each year millions of Americans give generously to support their charitable interests. As you take the time to consider the best ways to continue your giving in the future, think about:

- What property will make the best gift?
- When is the best time to make my gift?
- Should I give now or in the future? Or both?

The satisfaction that comes from giving can be experienced in many ways and through a variety of gift plans. You might consider leaving a legacy with a gift through your will or revocable living trust.

Or you can provide a gift from your estate without necessarily changing your will through life insurance, IRAs or other retirement accounts. Another option to consider is making a gift that provides lifetime income for you or a family member, then benefits us.

To help you reach your personal and philanthropic goals, we have outlined seven different planning methods along with examples of how a meaningful charitable gift can be a part of each one.

1. Giving through your will

In addition to being the most common means of distributing assets to loved ones, your will is also a thoughtful way to make charitable gifts.

After first providing for the needs of family and friends, you may choose to give in one of several ways. By having your attorney revise your will or add a simple amendment (known as a codicil), you can give what remains after other gifts have been fulfilled, a particular amount, specific property or a percentage of your estate.

An example

Years ago, Mrs. Anderson had her will drafted, and she included charitable gifts only if her children did not survive her. Now that her children are older and financially independent and she does not expect her estate to be subject to taxes, Mrs. Anderson has decided to make the charitable gifts in her will more specific, while still leaving most of her estate to her children.

An important detail

Charities may sometimes share the same or very similar names, and they may possibly be in the same city or state. When drafting a will that leaves property to charity, it is important to correctly identify the intended recipient. We are happy to provide our correct legal name, our street address, tax ID and any other information you or your advisors may require.

2. Giving through your revocable living trust

In recent years, living trusts have become a popular alternative or supplement to a last will and testament; they can hold assets during your lifetime and then distribute them later.

A living trust can minimize the expense and delays of probate. Just like in your will, you can include charitable gifts after taking care of loved ones. You may want to consider giving:

- The residue.
- A percentage.
- A specific property.
- A particular amount.

An example

Mr. and Mrs. Matthews are in the process of reviewing their estate plans. They decide to create living trusts that will eventually manage and transfer much of their property.

Since their wills contain charitable gifts, their advisors recommend they confirm these bequests in their living trusts. By doing so, the Matthewses can ensure their wishes will be carried out, either under the terms of their living trusts or their wills.

3. Gifts that provide lifetime income

There are ways to give while enjoying an additional source of income for life or other time period. The generous payments, which are based on your age and other factors, can be a welcome supplement to your retirement income.

When the payments end, what remains becomes a charitable gift. You may also realize tax savings at the time you make your gift. The amount depends on your age, size of payments and other factors.

An example

Mrs. Fisher owns stock worth $100,000 that originally cost $20,000. The investment currently pays dividends of just 1%.

She decides to use the stock to fund a gift that will provide her with fixed payments for the rest of her life. Based on her age, Mrs. Fisher qualifies for a payment rate of 8.1%. As a result, Mrs. Fisher:

- Supplements her retirement income with her $8,100 annual payment.
- Bypasses capital gains tax at the time of her gift.
- Enjoys a sizeable income tax deduction because she itemizes.
- Makes a meaningful charitable gift.

4. Making a gift of real estate

You can give real estate while reserving the right to live there as long as you wish. Most types of marketable property can be given, such as:

- Your primary residence.
- A vacation home.
- A farm.

You continue to pay the taxes, maintain the property and even receive any income it generates. By eventually transferring the property to charity, you are entitled to an immediate (and substantial) income tax deduction. The property is also removed from your estate.

An example

Miss Newberry lives in the family home left to her by her parents. She plans to leave most of her assets to her nieces and nephews but would like to make charitable gifts as well.

After consulting with her advisors, she decides to make a gift of her home and continue to live in it for the rest of her life. Miss Newberry is entitled to a federal income tax deduction equal to more than 75% of the value of her home, which could eliminate taxes on part of her income in the year she makes the gift and for up to five future years.

5. Giving life insurance

One way to make a significant gift is by designating all or a portion of the proceeds of a life insurance policy to charity. Or you may give a policy you no longer need and perhaps benefit from immediate tax savings.

Other options include transferring ownership of an existing policy on which premiums are still being paid or purchasing a new policy and naming a charitable beneficiary. In either case, future premiums may be tax deductible.

An example

Mr. and Mrs. Dixon purchased a $250,000 life insurance policy years ago to pay estate taxes. Their advisor recently informed them they should no longer expect to owe these taxes because of changes in the law.

They decide to change the policy beneficiary and designate $50,000 as a memorial gift in honor of Mr. Dixon's parents. Their grandchildren will receive the remaining $200,000 in equal shares.

This code provides additional information to assist you in your planning or to share with your advisors.

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6. Giving through retirement plans

Funds remaining in retirement plans can be subject to federal income tax, so it can be wise to make charitable gifts from these sources and instead leave non-taxable assets to loved ones.

A charity can be named the beneficiary of all or part of your retirement fund through a simple beneficiary designation form. This is a thoughtful way to leave a legacy and doesn't require you to change your will.

A tax-wise way to give now

Those age 70½ or older can make tax-free qualified charitable distributions (QCDs) directly from a traditional IRA, generally in amounts totaling up to $100,000 per year.

QCDs are not considered part of your taxable income and can count toward your annual required minimum distribution. This is a smart way to give whether or not you itemize your deductions.

An example

Mr. Wells has been contributing to an IRA for a number of years. His wife recently passed away, and he has accumulated more than he anticipates needing to maintain a comfortable lifestyle. After checking with his advisors, he learns it will be better from a tax-planning perspective to make QCDs each year instead of giving cash to his church and favorite charities.

7. Gifts of lasting significance

With any of the ways of giving, you can also provide for an enduring tribute to a family member or other loved one. This can be a wonderful way to honor a loved one or their memory through a charitable gift.

Gifts in honor of others can be especially thoughtful on Mother's Day, Father's Day, upon the birth of a child or grandchild, on a birthday, at a wedding, anniversary or graduation—virtually any time you wish to express, in a meaningful way, how much you care.

An example

After he passed away, Mrs. Adair wanted to make a gift to the charity her husband had supported throughout his life.

She discussed a number of options with her financial advisors and decided to honor her husband by establishing an endowment fund in his memory. The fund will provide continuous support for his area of interest.

Mrs. Adair has also decided to add to the endowment fund in the future through a bequest in her will.

We will be glad to discuss the many ways you can make a gift in honor of someone special to you.

Thank you

How and what you give are decisions personal to your unique situation. Whichever way you choose to give, please know that your thoughtful generosity will make a difference in our future.

If you would like more information about gift planning or would like to let us know about gifts you have already arranged through your estate plan, please contact us.

Guideposts Foundation

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