

For Your Website: Planned Giving FAQs

[I need to write a Will. Can your organization help me?](#)

[How do I include our organization in my will or living trust?](#)

[What's the big advantage in making our organization a beneficiary of my retirement plan?](#)

[What kind of donors should consider a charitable remainder trust?](#)

[How can I give my home and keep it, too?](#)

[Why does our organization need planned gifts?](#)

[What should I do if I have already remembered our organization in my estate plan?](#)

Q. I need to write a Will. Can our organization help me?

A. Yes. Just ask for our free estate planning kit. The Kit includes:

- * A readable but authoritative introduction to wills, living trusts and basic estate planning;
- * An Estate Planning Inventory Form to help you get a clearer notion on the worth of your estate;
- * Information on how to remember our organization in your estate plan.

Effective estate planning usually takes time, effort and a good attorney. In the end your plan will allow your family to avoid the delay, dissension and needless expense that often occurs when a loved one dies without a Will. Once you have taken care of your family's needs, please consider a thoughtful bequest to our organization.

To order your estate planning kit, call the Development Office at (phone number) or (web site instructions)

Q. How do I include our organization in my will or living trust?

A. The most common way people remember our organization in a will or living trust is through a charitable bequest. You do not have to rewrite your current documents. You simply add an amendment, called a codicil, to your will or living trust. Here is some suggested language you can have your attorney review:

"I give and bequeath our organization, tax identification number _____, located in (City), (State), \$ _____" (or state a percentage of your estate, or describe real or personal property, including exact location.).

Your bequest is entirely under your control during life and becomes irrevocable only at death. If you have questions about bequests, call the Development Office at (phone number) or (web site instructions)

Q. What's the big advantage in making our organization a beneficiary of my retirement plan?

A. A designation in your IRA or other retirement plan may be a very cost-effective way of making a gift to our organization. If you leave your retirement plan to your children, they will have to pay income tax on either a lump sum distribution or the income stream from

the plan. our organization does not pay this tax. Here's an example of what this can mean to your heirs:

A widower died a few years ago. He left his \$300,000 house to charity and his \$300,000 retirement plan to his relatives. He should have done just the opposite. The relatives had to pay income tax on the \$300,000 in the retirement plan, an \$80,000 cost to them. If they had received the home, and the charity had received the retirement plan payment, no one would have paid income tax. For more information on the advantages of retirement gifts to our organization, call (contact person's phone number) or (web instructions).

Q. What kind of donors should consider a charitable remainder trust?

A. Donors who want income for life, bypass of capital gains tax on stock or real estate, reduced taxes, and the satisfaction of providing for a good cause like our organization.

First, a few words about charitable trusts generally.

Anything you place in a charitable trust--cash, stock, real estate--is invested by the trustee to pay you income for the rest of your life and, if you wish, pay your heirs for life or for a term of years. After the death of all income beneficiaries, what remains in the trust passes to our organization.

Your trust may provide you with some important tax benefits:

1) **An immediate income tax deduction for a percentage of your gift.** We will be happy to give you an idea of the size of your deduction. We simply need to know the ages of the income beneficiary (ies) and the payout rate of the trust.

2) **No tax on the sale of appreciated property.** From the donor's point of view, this is often the most important tax benefit. Sometimes thousands of dollars that would have gone in capital gains taxes remain in the trust generating income to the income beneficiaries.

3) **The trust principal is not subject to estate tax.** Property that might otherwise be subject to federal estate tax, which can be as high as 55%, is preserved from estate tax entirely.

Appreciated real estate is often an excellent asset to place in a charitable trust. Mature investment properties are frequently earning only two, three, or four percent of their fair market value per year. When these properties are sold and the proceeds reinvested by the trust, earnings often increase significantly.

Under ordinary circumstances, owners face substantial capital gains taxes when they sell rental properties or commercial real estate. In some cases personal residences are also subject to capital gains taxes even after the homeowner's exemption has been used. In any case, because your charitable trust will be selling the property, there will be no capital gains taxes due when the real estate is sold. Thus the entire net proceeds from the sale can be reinvested to produce more income for you.

Gifts of appreciated stock are ideal for funding a charitable remainder trust because the stock can be reinvested by the trust for greater income while bypassing capital gains taxes at the time of the sale.

Some people find it useful to give an undivided percentage interest of real estate to a charitable trust rather than all of it. For example, a donor contributed 75% of a vacant lot into a charitable trust. When the lot was sold, about \$70,000 came directly to her from the sale while \$210,000 remained in the trust. Some of her \$70,000 was taxable, but she used the income tax deduction generated by her gift to the trust to offset the tax due on the gain built into the \$70,000 she received.

There are two basic types of charitable remainder trusts. An **annuity** trust will pay you a fixed dollar amount for the rest of your life. A **unitrust** will pay you a fixed percentage of the trust principal each year, so if the value of the trust principal increases over time, your income increases with it. By law, your trust must pay you at least 5% of principal. You may choose a higher payout rate if you wish, but the higher the payout rate the lower your income tax charitable contribution deduction. Also, selecting the highest rate possible may not work in your best interests for another reason. If trust principal declines under the strain of meeting the higher rate, your income will decline with it. On the other hand, a lower payout rate may allow the principal to grow, and your income will grow with it. Additions can be made to a unitrust at any time, but you can contribute to an annuity trust only once.

Finally, your trust must have a trustee. If you have an individual trust tailored to your circumstances, the trustee can be a commercial institution such as a bank or trust company, an individual with professional experience in trust management, a relative, or yourself. There are some complications in acting as trustee yourself, but it can be done if you understand and comply with IRS regulations. Our organization will be happy to supply you with a list of on possible trustees or information on being your own trustee.

The basic advantages of charitable trusts are not difficult to understand:

- diversification of your assets without incurring capital gains taxes
- lifetime income
- immediate income tax benefits
- reduction of estate tax
- the satisfaction of providing for a good cause

There are even ways these trusts can benefit your heirs that we have not covered. But the first thing you should do is find out if a charitable trust makes sense for you.

Our organization will provide you with tax and income calculations tailored to your particular situation. This will give you and your advisors the information needed to make an informed decision as to whether a charitable trust meets your financial and philanthropic objectives. All information is provided confidentially and without cost or obligation. Our organization deeply appreciates your willingness to help continue its work

For a personalized analysis call the Development Office at (phone number) or (web site instructions)

Q. How can I give my home and keep it, too?

A. A charitable life tenancy agreement allows you to give a personal residence or farm to our organization while retaining the right to live there for life. Donors who enter a life tenancy agreement receive an immediate income tax deduction. The deduction is based on the present value of the home discounted by the estimated length of time the charity must wait to receive the home. To put it simply, a person age 70 will receive a larger deduction than will a person age 50.

The IRS grants the deduction even though the donor continues to enjoy full use of the home. But the IRS also expects the owner to have full responsibility for the care and maintenance of the home. That's why life tenancy agreements simply continue things as they are currently, with the donor dealing with maintenance, property taxes, insurance and the like. The major benefits to the donor, then, are continued use of the home, an immediate charitable income tax deduction, the avoidance of probate, the avoidance of estate tax on the property, and the satisfaction of making a substantial gift to our organization during one's lifetime. For further call the Development Office at (phone number) or (web site instructions)

Q. Why does our organization need planned gifts?

A. The short answer is that our organizations needs gifts to
(List four or five key reasons why your organization needs and deserves planned gifts. If you're stumped, see *Your Case* under *Getting Started.*)

Q. What should I do if I have already remembered our organization in my estate plan?

A. We would be honored to enroll you in our organization's Legacy Circle, so please let us know of your bequest by calling call the Development Office at (phone number) or (web site instructions). Or fill out and mail the form below to:

(Name of Contact Person)
Address
Our organization
City, State Zip

Dear (Name of Contact Person),

(check one):

- I have remembered our organization through a bequest in my will or trust. Please enroll me in the Legacy Circle. You may publish my name on the Legacy Circle Honor Roll.
- I have remembered our organization through a bequest in my will or trust. Please enroll me in the Legacy Circle. **Do not, however, publish my name.**

Name(s) (Please Print) _____

Address _____

City _____ State ____ Zip _____

Signature: _____

Date: _____