Exploring Planned Giving

A guide to charitable giving opportunities

In Giving You Receive

Planned Giving & Trust Services
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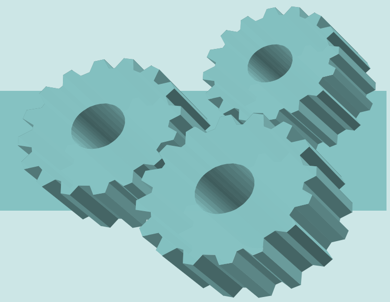
"Be prepared. Have your house in order."

Pastor Jimmy and Shereen Ferguson / Maryland, USA

We learn by example. Our two elderly aunts lived together and held everything in common. Worried about what might happen if one or the other of them died, the aunts prepared their funerals; wrote out all their wishes for their belongings; and had an attorney prepare their wills. When they died, there were no unanswered questions. Their testimony, in death as in life, was: "Be prepared. Have your house in order." Ellen White wrote, "Death will not come one day sooner... because you have made your will." By welcoming Planned Giving & Trust Services into our life and into our church, we can truly live Ellen White's teaching. Making wills is part of ordering your life - like doing a family budget or planning for education and careers. We're preparing wills and guardianship documents for our children - so that our family can lead our church by example.

WHAT IS CHARITABLE GIFT PLANNING?



Planned Giving is the process of stewarding resources and possessions to meet personal, family and charitable goals.

Charitable gift planning:

- uses a variety of financial tools and techniques for giving,
- requires the assistance of one or more qualified specialists,
- when appropriate utilizes tax incentives that encourage charitable giving and
- is based on powerful traditions of giving church members in the United States.

The techniques of charitable gift planning include both revocable and irrevocable arrangements, gifts available for use at the time they are given, gifts that may not be available until a future date and split-interest gifts intended to balance financial, personal and charitable objectives. These techniques are called **planned gifts.**

The tools of charitable gift planning include all types of real and personal property, tangible and intangible assets.

Donors should seek charitable gift planning advice from professionals with integrity, expertise and experience in law, investments, property, tax and charitable transfers in order to assure both the technical merits of the transfer and the philanthropic quality of the gift.

What are Planned Gifts?

Planned gifts are a variety of charitable giving methods that allow you to express your personal values by integrating your charitable, family and financial goals. Making a planned charitable gift usually requires the assistance of the charity's planned giving professional and/or a knowledgeable advisor such as an attorney, financial planner or CPA to help structure the gift.

Planned gifts can be made with cash, but many planned gifts are made by donating assets such as stocks, real estate, art pieces or business interests—the possibilities are endless. Planned gifts can provide valuable tax benefits and/or lifetime income for you and your spouse or other loved one. The most frequently-made planned gifts are bequests to charities, made through your will. Other popular planned gifts include charitable trusts and charitable gift annuities.

Why should I make a planned gift?

Many people want to make charitable gifts but need to do so in a way that helps meet their other personal, family or financial needs. Planned gifts may provide options for making your charitable gifts in ways that may allow you to:

- Make a larger charitable gift than you thought possible
- Provide additional cash flow from your assets
- Plan for the financial needs of a spouse or loved one
- Provide inheritances for your heirs at a reduced tax cost
- Reduce your income tax by receiving a charitable deduction
- Defer, minimize or avoid capital gains tax
- Establish a retained life estate
- Plan for the transfer of your business
- Leave a charitable legacy

THE NEED FOR AN ESTATE PLAN

Estate planning is deciding what will happen after your lifetime to your resources and possessions. Almost everyone needs an estate plan, even though many people think estate planning is only for the very rich.

The more modest your estate, the more important it is to arrange for its careful handling and disposition. Plus, if you examine all of your assets, you'll probably find that your estate is larger than you think.

Perhaps the most important reason for making an estate plan, is that it gives you peace of mind.

Setting Estate Planning Goals

In setting goals, first ask yourself what has been important in your life as it will probably be important at the end of your life. Your number one concern is most likely your family. They might have to face new and heavy burdens without you. How can you keep taxes and administration costs to a minimum so that your family receives your assets intact?

What will happen to any business enterprise in which you have an interest? Are there charitable organizations you favor that could use help from your estate?

The Tools of Estate Planning

A good estate plan includes various instruments to ensure the job is done right. The tools of estate planning are written documents that precisely indicate your intentions, then provide the powers to accomplish them.

Elements of an estate plan may include one or more of the following documents: a will, trusts, life insurance policies, a living will and a type of power of attorney that meets your needs.

How to Begin

The first step of every estate plan is compiling an inventory of personal data- the current value of all your assets, how they are owned, your liabilities, and names and addresses of intended estate beneficiaries.

You can take the first step by requesting or obtaining a free copy of: "Planning Your Legacy — A Christian Guide to Planning Your Will & Trust". Your free copy can be requested from your local *Planned Giving & Trust Services Department* or through www.willplan.org.

The document can be printed or completed on line. The guide is designed to help you have information ready for your professional who will assist in drafting your Will or Estate Plan.

WHY YOUR
WILL IS SO IMPORTANT

Procrastinating about making or updating a will occurs for many reasons. You may think it costs too much to make a will. Perhaps you're having a hard time deciding about how to leave your assets. Or you may simply have an aversion to confronting mortality.

Many people wonder how the benefits of a will can outweigh the headaches mentioned above. The following questions are common ones. We've provided some answers to help you see that a will is a privilege you shouldn't dismiss lightly.

Why is My Will So Special?

Your will is a way to be sure all of your resources and possessions will be distributed to those family, friends and organizations you care about most. Without a will, state law will decide how your resources and possession are distributed. Minor aged children's custody is usually at the discretion of the probate judge.

What would your answer be as a Christian you accept the fact God gave you children, resources and possession and you neglect securing a will leaving the decision to the probate judge?

What Should My Will Do for Me?

To begin, your will lets you give specific possessions or amount of money to whomever you wish. You can give the balance of your estate in various proportions to your spouse, children, relatives, friend, and charitable organizations. A guardian for minor aged children and selecting your executor who is capable of settling your estate.

Are There Any Tax Advantages to Having a Will?

Yes there can be! To determine your specific tax advantage it is necessary to seek a professional who understands tax implications.

How Can I Set Up a Will That Benefits the Most People?

We recommend that you obtain the professional counsel of your attorney. The attorney will follow your wishes, taking into consideration specific financial circumstances and other tax considerations for your benefit.

If you are considering a gift to the church, your local Planned Giving & Trust Services officer can provide information to assist in the charitable gift.

REMEMBERING A CHARITABLE ORGANIZATION IN YOUR WILL

Many people have good intentions about providing for the work of a charitable organization, but often they never quite get around to doing it. Perhaps you've been considering a gift, but your cash flow prevents an outright contribution.

Please consider the various gifting options discussed here. And keep in mind that one of the simplest ways for you to make a future gift to a charitable organization is through your will.

Numerous Options

In your will, you can name your Conference of Seventh-day Adventists as a beneficiary, giving you many choices.

- One possibility is a bequest of a fixed dollar amount. Another is to give a percentage of the estate, which allows you to keep the division of the estate residue in desired proportions, regardless of its size.

- Your gift can be contingent - that is, the funds would go to a certain individual if that person survives you. If not, they would be paid to the charitable organization of your choice. An alternative is to create a trust through your will, which would pay an income to the individual for life, with the remaining principal to be given to the charitable organization at the time of death.

Usually, a gift without restriction is the most useful because it allows charitable organizations to apply the funds to the most pressing needs. But you also have the right to specify in your will how the funds are to be used. If you wish to do this, you are urged to consult with the leadership personnel of the charitable organization before you execute your will to make certain the conditions are ones the charitable organization is able to meet.

One of the nicest things you can do is to make your gift in memory of someone you've loved or admired.

YOU'RE IN CONTROL
WITH A SELF-ADMINISTERED TRUST

A Self-Administered Trust lets you provide for yourself and your family before and after your death. It has built-in flexibility, because it allows you to stay in control of you possessions.

Self-Administered trusts are fully revocable, so you can change or terminate them at any time during your life.

Even though you reserve the right to change your mind, the possibility of estate tax savings remains with a living trust.

Benefits of a Self-Administered Trust

If you name yourself as Trustee, you receive the income from the trust assets, plus:

- You're in charge, so you have the right to set the investment objectives
- Add or withdraw principle
- Change the terms of the plan, or even change the ultimate beneficiary, at any time
- The beneficiaries you name to receive the trust remainder after your lifetime can receive an outright distribution
- A Self-Administered Trust can avoid probate costs, because trust assets are included in your trust, therefore, you would not have assets to probate
- The terms are private, so the details about the beneficiaries and assets of a trust usually don't enter the public record
- A Self-Administered Trust is an excellent instrument for individuals who are detail minded

A Self-Administered Trust Gives Benefits and Peace of Mind When Completed

GIVE AND RECEIVE WITH
A CHARITABLE GIFT ANNUITY

Many of our friends who are experiencing low earnings on their cash, securities or property assets are discovering that they can help a charitable organization and help themselves at the same time A consideration would be the Charitable Gift Annuity!

How a Gift Annuity Works

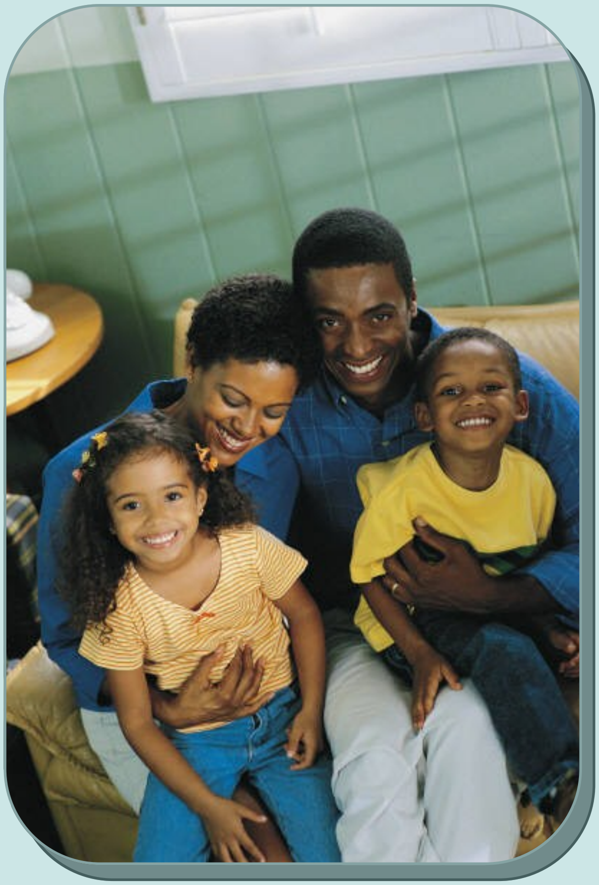
The concept of a gift annuity is simple. A person wishing to enter into a charitable gift annuity agreement should understand it is a contract, **not** a trust. The charity agrees to pay a fixed sum of money for a period measured by one or two lives (NOT a term of years). Upon the death of the second beneficiary, the remaining funds are available for the charity.

What You Get Out of It

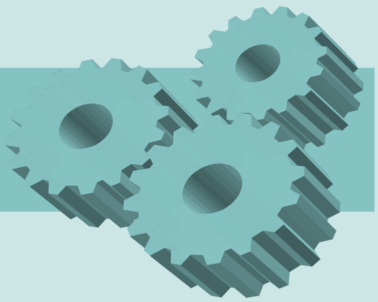
You have the benefit of a lifetime income for yourself and another person, but there are numerous tax advantages, too:

- The portion of the transaction that is considered a gift qualifies as a charitable deduction.
- Part of the annual income is considered a tax-free return of capital, excluding it from gross income until you reach your life expectancy.
- The annuity rate is age sensitive and our church follows the rates established and revised from time to time by the American Council on Gift Annuity.
- The annuity is backed by all the issuing charity's assets, not just the cash, security or property contributed or the annuity investment fund.
- Payments for an agreement funded with cash is considered part ordinary income and part tax free return of principal. Payments made after the annuitant's life expectancy are deemed fully taxable as ordinary income.
- If you contribute appreciated property/ securities, you'll need to pay some capital gains taxes for the "sale" portion of the transaction. It's payable over your life expectancy, not all in one year.

Interested in what a Gift Annuity can do for you? Visit **www.willplan.org** and select "Create Your Plan" and enter the requested data!



GIVE AND RECEIVE WITH
A CHARITABLE REMAINDER UNITRUST



The Charitable Remainder Unitrust (CRT) is a unique, highly sophisticated and flexible charitable gift planning tool. In the case of the CRT, the donor irrevocably gives an asset to fund the CRT. The second part of the CRT is the trustee, "the one who is trusted" to care for the trust asset on behalf of the donor and qualified charity.

How a Charitable Remainder Unitrust (CRT) Works

The Charitable Remainder Unitrust (CRT) provides a way to blend philanthropic intent with financial benefits for a donor or another income beneficiary. A CRT is a deferred gift plan, it lets you make a major donation, but you get to keep the income from the asset donated.

You fund a unitrust with assets such as cash, appreciated property, stocks or other marketable assets. The amount you receive as a income is a fixed percentage negotiated between donor and charity. The percent is applied to the annual market value, usually at the beginning of the year.

The obligation to pay the income beneficiary begins at the creation of the CRT when it is executed and funded. The period of time during which the trustee pays the unitrust amount to the income beneficiary is most commonly expressed as a term of years (not to exceed 20 years), the life of an individual income beneficiary or the lives of multiple beneficiaries.

Charitable Remainder Trust Models

Annuity Trust—The basic model is that of an annuity trust which pays a fixed percentage The annuity payment may be expressed as a fixed dollar amount or as a fixed percentage of the net fair market value of the trust assets at the time they are placed into trust.

Standard Unitrust–The next most complex unitrust pays a fixed percentage of at least 5% and not more than 50% of the net fair market value of trust assets as valued annually. The trust document typically designates the first business day of the year as the valuation date.

Net Income Unitrust—In order to relieve the trustee of the obligation to distribute principal in years when the net trust income is less than the stated unitrust payment, the Internal Revenue Code allows for income variations of the unitrust. The trust pays the lesser of net trust income or a fixed percentage which is at least 5% and not greater then 50% of the net fair market value annually.

Continued……….

GIVE AND RECEIVE WITH
A CHARITABLE REMAINDER UNITRUST **Continued**

Net Income with Make-up Unitrust—Another exception, the net income with make-up option, may pay the income beneficiary an amount in excess of the required unitrust amount. This unitrust in a year when the net income is less than the unitrust payout percentage, the difference is designated as a deficit amount. Then in a year when the trust earns more than the unitrust payout percentage the excess can be used to make up any amount not paid in previous years!

FLIP Unitrust—In addition to the previous two income exceptions, the Internal Revenue Code provides for a final option which was designed to effectively manage what the code calls "unmarketable" assets until such time as they are sold and reinvested for capital growth as well as income. This option, the so-called FLIP unitrust, begins as either a net income or net income with make-up unitrust.

Here's How It Works

A qualified charitable remainder unitrust is tax exempt. It pays no tax on realized gain when selling appreciated assets or on trust income, and the donor is eligible for income, gift and estate tax charitable deductions.

This extremely important feature enables the trustee to convert highly appreciated assets into a current income stream without erosion due to the donor paying capital gains tax when selling and reinvesting the cash. Increased cash flow to the donor results from transferring assets and their related management expense from their personal estate to the trust. The trustee is able to sell trust assets at no tax cost and reallocate assets for better diversification, thus improving risk management. At maturity when the trust measuring term expires, trust assets pass to the designated charitable beneficiary without probate.

Weigh the Benefits You Can Enjoy

Consider these attractive features that a Charitable Remainder Unitrust can offer you:

- A fixed amount, a variable amount that may increase or decrease with the economy and a make-up amount
- A sizeable income tax charitable deduction
- A way to increase income from low-yield assets
- Freedom from investment responsibilities
- Avoidance of capital gains tax on appreciated assets

NOTE: Creating a charitable remainder unitrust requires the participation of competent legal counsel knowledgeable in this area of law .

A GIFT OF INCOME TO CHARITY
THE CHARITABLE LEAD TRUST

Are you concerned about the possibility of the government taking a significant part of the assets you were planning to leave your heirs? There is a way to pass assets to your family with significant gift and estate tax savings while at the same time making a gift to a charitable organization. It's called a charitable lead trust.

Give Without Forfeiting Assets

The charitable lead trust is an irrevocable, split interest trust. Simplistically, it is the "reverse" of the more familiar charitable remainder trust in that payments are first made to one or more qualified charities for a term certain or for a term measured by one or more lives. Upon expiration of the term, the remaining trust estate either reverts to the Grantor or is distributed to other non-charitable recipients, often the Grantor's family members.

Under the right circumstances, charitable lead trusts can be used quite effectively by donors (typically those with a high net worth) who have both philanthropic and tax objectives. Properly structured, a charitable lead trust allows the client to make a gift of income to charity for a period of time and then pass property to individual beneficiaries with reduced or no gift and/or estate tax. However, the tax issues can be tricky.

Types of Charitable Lead Trusts

- Charitable Lead Trust
- Charitable Lead Annuity Trust
- Grantor Charitable Lead Trust (unitrust or annuity trust)
- Non-Grantor Charitable Lead Trust (unitrust or annuity trust)

A Lead Trust in Your Will

Instead of funding a lifetime lead trust, you can also create one in your will – a testamentary lead trust. The major difference is that the charitable organization will only begin to receive income after death.

Which is better, a lifetime or a testamentary lead trust? If you fund a trust now, you satisfy a charity's present needs, and you can observe the results.

Note: Working closely with qualified tax and legal counsel is essential when developing this type of trust.

Visit: www.willplan.org

EVERYONE WINS WITH GIFTS OF CLOSELY HELD STOCK

If you own a sizable block of stock in a closely held corporation, you may obtain major benefits by turning all or part of it into a gift to a charitable organization.

Your corporation has retained earnings–which have been taxed on the corporate level and, if distributed as dividends, would be taxed again on the individual level—and the stock has appreciated in value.

Now you want to find a way to get retained earnings out of the corporation (perhaps there is concern that the IRS may question the retention of the amount). Selling stock would only result in a capital gains tax due, and public sale would defeat the purpose of the stock being closely held.

What Can You Do?

Donate some shares (few enough that you retain 50% ownership) to a charitable organization. The charity could present the stock to your corporation for redemption. Your corporation could use retained earnings for the purchase.

The donor of the closely held stock wins and the charitable organization wins because it receives much–needed funds. Plus, you and your corporation benefit because you get an income tax deduction for the charitable contribution, you don't pay any capital gains tax on the appreciation in value, you avoid a second tax on accumulated earnings by averting a dividend distribution and you maintain control of the corporation.

NOTE: Making this type of a charitable gift requires the participation of competent legal counsel knowledgeable in this area of law .

Observe IRS Rules

There's one caveat: the IRS has ruled that you cannot legally bind a charitable organization to go through with the redemption at the time it receives the shares. A charitable organization may independently offer the donated stock for redemption.

There's little likelihood that a charitable organization would choose to retain the closely held stock. Charities are usually anxious to realize cash to support their mission, and redemption is an easier and quicker way than trying to find another buyer. So giving closely-held stock is a unique philanthropic opportunity that can benefit everyone involved.

GIFT YOUR
RETIREMENT PLAN ASSETS

Did you know that your retirement plan assets may face double taxation? The retirement plan assets could be diminished by estate taxes, and the recipient may also pay income taxes!

Undoubtedly, your decision of who gets the remainder depends on your family members' circumstances. Their needs come first. If you can make other provisions for your family members, there's a better option for your retirement plan assets–a charitable gift.

Your Retirement Plan May Offer Tax Advantages

Individual plans—such as IRA, Keogh or 401(k) accounts–resemble tax-sheltered savings accounts. These plans defer taxes until they are withdrawn. When a participant dies before the entire account has been distributed, the remaining balance can be transferred to an heir or to any charitable organization. The principal advantage of donating retirement assets to a charitable organization is that you may avoid income and estate taxes, whereas giving the assets to individual heirs may trigger taxes that are incredibly steep.

Many Ways to Give

If you've already provided for your family in your estate plan, simply name a charitable organization as the primary beneficiary of your retirement assets. However, if you want to make sure you don't shortchange your family, here are a couple of other possibilities:

- Name a charitable organization as the beneficiary of part, or even all, of the balance remaining after your spouse's or another beneficiary's lifetime.
- Designate a specific amount or percentage you would like to be donated to a qualifying charitable organization with the remainder amount to family members thereby reducing the amount to family that may be highly taxed
- To implement your wishes, advise the plan administrator of your decision to change your beneficiary designation, notify the custodian in writing and keep a copy with your valuable papers.

Visit: www.willplan.org for additional information—select "Create Your Plan"

THE ADVANTAGES OF GIFTING
REAL ESTATE

Are you thinking of selling your home? Will you experience a capital gains tax? You may have a smarter alternative. A gift of real estate—whether it's your personal residence, a vacation home, a farm, commercial real estate or vacant land–will enable you to enjoy attractive personal benefits while at the time supporting a charitable organization.

Implications of a Sale Versus a Gift

When you sell your primary residence, you may qualify for an exclusion of up to the federal maximum allowed, eliminating capital gains tax on anything up to that amount. This exemption applies if you've used the home as your primary residence at least two of the past five years.

However, this capital gains tax break doesn't apply for sales of any real estate other than your primary residence. Perhaps the easiest way to avoid capital gains tax on real estate is to give it to a charitable organization. Sale options of real property generally demand careful consideration especially for assets other than your primary residence. The donation of real property can generate a charitable deduction that is very beneficial to the donor.

Review of Benefits

Property that has been held long-term makes an excellent charitable gift and promises you several advantages:

- You avoid the hassle of selling the property
- The sale frees cash that otherwise would have been used to pay for taxes and Upkeep.
- You obtain an income tax charitable deduction equal to the property's full fair market value as determined by a certified appraisal instead of the lower cost basis.
- You avoid tax on the property's future appreciation.
- The transfer isn't subject to the gift tax, and it reduces your taxable estate.

Give real estate to a charitable organization—your personal satisfaction is complemented by valuable tax benefits.

For additional information check out **www.willplan.org** or contact your charitable Planned Giving & Trust Services Director.

HAVE IT BOTH WAYS WITH A RETAINED LIFE ESTATE

Did you realize you can give your home to a charitable organization, and enjoy its use for life? It's true! You can give your home and received a calculated charitable deduction for it, even though you continue living there. This is called a retained life estate.

Give Your Home But Enjoy Life Use

When there is a life estate. The owner of the life estate ("life tenant") is given the right as to possession, control, income, and enjoyment of the property for a period of time measured by the life of the life tenant or by the life of another person (measuring life). Upon conclusion of the measuring life, the life estate terminates and title then vests entirely in the remainder interest holder. This is usually the charitable designated organization..

The life tenant bears responsibility to prevent waste through any activity that will diminish the value of the remainder interest. Generally, the life tenant must insure the property, pay all taxes, and provide for normal maintenance and upkeep. A life tenant can convey his/her interest in the property to a third person for a term less than or equal to but not greater than the duration of his/her own estate, that is, the term of the measuring life. If a life tenant voluntarily makes improvements, the remainder owners cannot be forced to share the costs of such improvements.

A Tax Benefit?

A gift of your home, farm, vacation home or condominium, even with stipulations about occupancy, may result in a charitable deduction

Personal Satisfaction Added to Tax Benefits

If you're considering leaving a home to a charitable organization, ask about a retained life estate. Besides the income and tax advantages you would enjoy, you'll have the personal satisfaction of creating a significant gift. Because it is your desire ultimately for the charitable organization to get the property

For additional information check out www.willplan.org or use the web-site to find your area Planned Giving & Trust Services Director.

"Sometimes you have to face harsh realities before you do what's right."

Pastor Minervino (Minner) and Evelyn Labrador
Florida, USA

The first question our financial advisor asked us about retirement was: "Do you have a will and other estate planning documents?" We didn't. Within weeks, two tragedies in our church showed us how important estate planning can be. A beloved deacon suffered a serious stroke. Machines kept him alive, but he could no longer communicate. Loving relatives found themselves in a painful conflict that could have been avoided, if only our church member had signed an advance medical directive. Then, a young couple related to a church member died in a car accident, leaving two small children. With no will or guardianship directions, the children's future was left to the courts. The custody dispute, together with probate costs, significantly reduced the children's inheritance. When we thought about our own family, we knew we couldn't live with uncertainty. We had to fulfill our obligations as parents, as pastors of the flock and as responsible stewards of God's goods. Now that we have wills, we are so relieved. We know that if anything happens to us, our sons will be raised in an Adventist home.

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Free Will Plan Kit at: www.willplan.org

NOTES

Visit: **www.willplan.org**

to find your area Planned Giving & Trust Services Director
and receive a free:

"Planning Your Legacy—A Christian Guide to Planning Your Will & Trust"

REACH
NORTH AMERICA

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NORTH AMERICAN DIVISION OF SEVENTH-DAY ADVENTISTS
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