

GIVING  

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ALTERNATIVES  

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FOR 2009

LOGO

Name of Organization

Address

Phone, etc.



**W**e would like to express appreciation for the generous support of those who continue to make charitable giving a priority.

This year promises to be one of challenge. Current economic conditions are affecting us all in many ways. Deciding how to direct one's charitable gifts is no exception.

The information in this booklet is offered to help those who would like to optimize their giving in 2009. Through the use of alternatives outlined here, it may be possible to make charitable gifts while helping preserve personal economic security and that of loved ones.

The ideas presented here focus on three common themes that can help ensure that gifts have the greatest possible impact:

**Choosing what to give.** The choice of *what* to give can be important when determining *how much* you can give. You may decide to give cash, or make your gift in the form of other property and conserve cash for other purposes.

**Meeting multiple needs.** With careful planning, you can make gifts for charitable purposes while you also provide for needs such as retirement security, educational expenses, care for elders, and other financial priorities.

**Giving at the right time.** Whether you decide to give immediately or over time in ways that allow you to first meet other needs, you may find that the ideas presented here can help you make gifts you may not have thought possible.

We encourage you to discuss your gifts with your family and appropriate advisors. Those who assist with your other financial and estate planning can often be helpful in deciding how best to make charitable gifts. Please contact us if we can be of assistance or provide additional information.

## **Gifts of Cash**

Cash, usually in the form of a check, is most commonly used to make charitable gifts.

When you itemize your deductions, cash donations can allow you to eliminate tax on up to 50% of your adjusted gross income (AGI) each year. Any amounts not deductible in the year of your gift can be “carried over” to bring you savings in as many as five future tax years.

If you have recently sold securities or other investments, you may want to consider using a portion of the cash proceeds to make your gifts. Gifts of cash and other property can help offset taxes that might be due on any profit realized when investments were sold.

Your actual savings depends on your tax rate and other factors. As a general rule, the higher your tax bracket, the greater your tax savings. Remember, charitable gifts may help reduce both regular *and* alternative minimum tax.

## Giving Other Assets

If you own stocks, mutual funds, or other securities that yield little income, but are worth more than you paid for them, you may want to consider using them to make charitable gifts.

Giving securities can result in maximum tax savings with little or no effect on your spendable income.

When you give securities that have increased in value and you have owned for longer than one year, you are entitled to an income tax charitable deduction for their full value, not just their original cost. You also do not have to pay the capital gains tax that would be due if you had sold the property.

In effect, you are allowed to use the “paper profits” from the investment to make gifts while you bypass tax on the gain.

**Example:** George has securities that he purchased several years ago for \$2,500. They are now worth \$5,000 and do not pay a dividend. While the securities have declined from their peak value, he will still owe capital gains tax on the remaining profit of \$2,500 should he sell the securities. George decides to use the securities

to fund a gift this year. He is entitled to an income tax deduction for the full value of the securities (\$5,000) and will never owe tax on the remaining capital gain. He uses cash he had planned to give to charity to instead invest in assets that yield income.

Gifts of appreciated securities may be deducted each year in amounts up to 30% of your AGI. As in the case of cash gifts, you can make use of any excess deductions in as many as five future tax years.

### **When securities have decreased in value**

If the value of a security you would like to give is less than what you paid for it, it is usually best to sell the security and make a charitable gift of the cash proceeds. You may then be able to take tax deductions for both the capital loss *and* the charitable gift, effectively deducting more than the pre-sale value of the security.

### **Giving a security while “keeping” it**

What if you are reluctant to give a security because you think it may increase in value in the future? Is there a way to make a charitable gift of such an asset while still “keeping” it?

Yes. Instead of making a gift in the form of cash, it may be best to give the security, deduct its full value, and bypass any tax on the increase in value that has occurred up to the time of the gift.

You may then use the cash you would have otherwise given to instead repurchase the same security at today's price. You would then have the same amount invested in the security as before, but with a new, higher cost basis.

If the security were to later grow in value and you were to sell it, you would only owe tax on the increase from the point at which you repurchased it.

Should the value of the investment *decline* after your repurchase, you would then have a capital loss that may serve to reduce your income tax in the year the stock is sold.

## **Gifts of Other Property**

You may also wish to consider gifts of property other than securities.

For example, the benefits of giving real estate can be similar to those described for gifts of securities. The real estate should be in good condition and readily marketable. Works of art, jewelry, antiques, and other personal property may also make practical gifts.

Certain rules apply to tax benefits when donating such assets. A special appraisal is required to determine the value of non-cash gifts other than marketable securities and certain other assets when their value is greater than \$5,000.

## New Uses for Old Plans

There can be special tax and other benefits when making gifts using tax-favored savings accounts and life insurance policies. For example, if you are age 59½ or older and can withdraw excess funds from qualified retirement accounts without penalties for early withdrawal, you may find that these accounts can represent a convenient “pocket” from which to make charitable gifts.

It may be wise to use these funds to make gifts, as they can be among the most heavily taxed assets one owns.

These funds are not taxed when they are set aside, and they grow tax free over the years. They are, however, subject to income tax at your highest rate when they are withdrawn and can be subject to more taxes than other assets when left to your heirs.

If you are over age 70½, you are allowed to make tax-free distributions directly to charity totaling up to \$100,000 from a traditional or Roth IRA in 2009. Check with your IRA administrator for more details.

Life insurance policies that are no longer needed for their original purposes may also be used to make special gifts. If you expect to owe less in estate taxes, or if loved ones no longer need the protection, consider making a charitable gift using a policy’s accumulated value. Tax benefits may be available for gifts of life insurance policies, depending on a number of factors.

## Making Future Gifts

As part of your long-range financial and estate plans, you may also want to consider gifts that will be received only after you and your loved ones no longer need the assets.

Reductions in federal estate taxes in recent years may have made it possible to include charitable gifts as part of your estate plan, while your heirs receive the same amount or more than under prior law.

**Example:** Mary, 75, was planning to leave the bulk of her assets to her children and grandchildren. She had also included gifts to a number of charitable interests.

She was pleased to learn recently that federal estate tax will no longer be due on the part of her estate to be received by her family. As a result, she has decided to direct that amounts that would have been paid in taxes be used to increase the amount she leaves to both her family and her charitable interests.

There are a number of ways to make gifts as part of your long-range plans:

- **Giving through your will** can be a convenient way to leave a lasting legacy. After providing for your loved ones, you may decide to make charitable gifts of a specific amount, a percentage of your estate, or all or part of what remains after family and/or friends have been remembered.

Such a gift can often be arranged with the simple addition of a codicil (amendment) to your existing will.

- **Giving through living trusts** is another idea you may wish to consider. Many make use of trusts created during their lifetime (often referred to as “living trusts”) to provide for the management and future distribution of their assets.

Charitable gifts can be a practical addition to these trusts. A simple amendment to a living trust can be all that is required to make a gift in this way.

- **Giving life insurance proceeds** as part of your future plans is another possibility. You may name a charitable beneficiary to receive all or a portion of policy proceeds at death.
- **Bank and investment accounts** can be titled so that whatever remains becomes a gift to charity. Amounts given for charitable purposes in this way can also pass outside your taxable and probate estate.
- **Giving retirement plan remainders** is gaining in popularity because amounts remaining in many types of plans at death can be subject to both estate and income taxes. For this reason, charitable gifts of retirement plan balances may be wise from both income and estate tax planning perspectives. *(See page 8 for information on current gifts from retirement plans.)*

In consultation with your advisors, you may find that one or more of these options may help you meet long-term charitable goals while first providing for the needs of your loved ones.

## **Give and Retain Income**

Did you know it is possible to make gifts today and enjoy immediate tax and other financial benefits while you also create a new source of income for the remainder of your life or another period of time you choose?

Through the use of a number of alternative giving methods, you can make meaningful gifts while you also provide additional income for yourself, your spouse, and/or other loved ones.

Those who are at or near retirement age may choose income payments that will continue for the remainder of their lifetime(s). Others may wish to arrange for payments to continue for a more limited period of time.

Payments can be designed to adjust with investment growth over time, or be fixed at the time of the gift and never change, regardless of fluctuations in interest rates or the stock market.

Such plans typically feature income tax benefits for the year in which the gift is made. They can also offer a way to convert low-yielding assets to a source of additional spendable income without incurring capital gains tax at the time of the gift.

It can also be possible to structure a gift so that a large percentage of income payments are received tax free or taxed at lower rates than amounts withdrawn from an IRA or certain other retirement accounts.

Because the assets used to fund such gifts will ultimately be used for charitable purposes, they are generally not subject to gift or estate taxes. This may result in substantial savings for your heirs in addition to the income and capital gains tax benefits described above.

Check with us or your advisors if you are interested in exploring the possibility of giving in this way.

## **Give While Providing for Heirs**

It is also possible to set aside assets to be used for charitable gifts for a period of time you choose before they are ultimately returned to you and/or your heirs.

An alternative known as a *charitable lead trust* can allow you to make charitable gifts over time, while you also reduce or eliminate any gift and estate taxes that might otherwise be due on assets when eventually received by loved ones.

There is no limit to the amount of assets that can be given to heirs free of gift and estate tax in this way. This method of giving is more attractive in periods of lower interest rates.

If you would like to delay an inheritance for younger heirs while also funding charitable gifts over time, this option could be a rewarding addition to your plans.

## Completing Your Plans

More information is available regarding the ideas mentioned in these pages, including the summary of charitable tax benefits on the page that follows.

You may wish to share this booklet with your advisors as a starting point in discussing ideas you believe may be applicable to your situation.

Thank you once again for your support. Be assured that all gifts received now or in the future are greatly appreciated and will be used wisely.

The purpose of this publication is to provide general gift, estate, and financial planning information. It is not intended as legal, accounting, or other professional advice. For assistance in planning charitable gifts with tax and other financial implications, the services of appropriate advisors should be obtained. Consult an attorney for advice if your plans require revision of a will or other legal document. Tax deductions vary based on applicable federal discount rates, which can change on a monthly basis. Some opportunities may not be available in all states. ©MMIX RFSCO, Inc. All Rights Reserved.

## General summary of tax considerations for charitable giving

### Gifts of cash

- Deductible up to 50% of adjusted gross income for itemizers.
- The higher your tax rate, the more you generally save from the charitable deduction.

### Gifts of appreciated property

- Generally deductible for full fair market value up to 30% of adjusted gross income for itemizers.
- Capital gains tax is avoided when long-term property is given.
- Special rules apply to gifts of real estate.

### Gifts of tangible personal property (art, jewelry, etc.)

- If property is “related” to charity’s objectives, same deduction as for appreciated property (above).
- If “unrelated,” deduction is limited to the lesser of cost basis in the property or full market value.

### Carryover provision

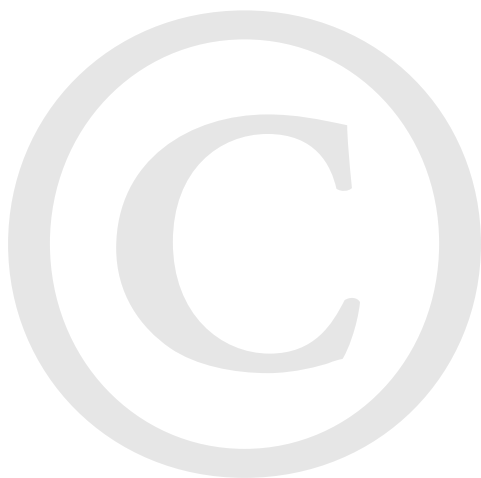
If more than the deductible limit is given in one year, excess deductions may be claimed over the next five tax years, as long as you continue to itemize.

### Estate tax deduction for gifts

Unlimited deduction for cash or other property given to a qualified charity at death.

*See IRS publications 526, 561, and 1771 for helpful information about substantiating your gifts, appraisal requirements for larger gifts of property other than marketable securities, and other matters. Your advisors can help you determine how various provisions may apply to you.*





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