PLANNED GIVING

Many people choose to include money to charity in their will or trust.

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ATTORNEYS AT LAW

In partnership with:

cfhz community foundation Holland/Zeeland Area

WHAT IS PLANNED GIVING?

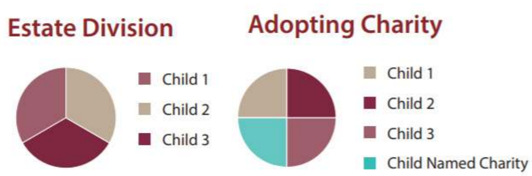
Many people like to include a charitable gift in their will or trust. When you combine your overall financial and estate planning with planned gifts, you can minimize your tax burden, provide for your family, honor loved ones, preserve your family name, and reinforce your personal values. Furthermore, you can make significant charitable contributions to your favorite causes—gifts that may not be possible in your current financial position. Sometimes you can also receive income during your life in exchange for a charitable gift.

HOW CAN I PROVIDE FOR MY CHILDREN AND INCLUDE CHARITY IN MY ESTATE PLAN?

A difficult consideration for many charitably inclined individuals when engaging in estate planning is the question, "How much do I give to my family and how much do I give to charity?" For many parents, their primary wish is to ensure their children share their assets and possessions at their passing, but oftentimes they wish to balance that with a desire to support the charities to whom they have given for much of their lives. There are a few concepts to consider when thinking about how much to give to charity.

1) ADOPT A CHILD NAMED CHARITY

Consider a married couple with three children, each of whom might typically receive a third of their parents' estate. Some families choose to add a "child named Charity" to their will or trust. By this method, for example, each of the children would receive 1/4 of their remaining assets, and the remaining 1/4 could go toward a single charity or list of charities.



2. PERCENTAGE OR TITHE

Many individuals or couples allocate a certain percentage of their will toward charity. Some designate 10 percent to charity as a way of reinforcing the biblical concept of tithing to their families.

3. GIFTS OF ASSETS

Some may choose to designate a specific asset such as real estate, business interests, life insurance, or retirement assets. There are several reasons people do this, whether it is because the property has special meaning, their children have no further use for it, or because they wish to protect their family from unnecessary taxes.

WHAT ARE THE BEST ASSETS TO LEAVE TO CHARITY?

Some of the most tax-efficient assets to give through your estate plan come from retirement plan accounts because family members would pay taxes on the proceeds, which are treated as income in respect of the decedent (IRD). Series EE and Series HH savings bonds are very attractive sources for charitable bequests because so much of their value is attributable to untaxed interest income, which makes them IRD assets as well. Naming charity as the beneficiary of IRD assets may offset the estate tax owed, if you exceed the estate tax threshold, by removing that asset from your total estate value. Because charitable bequests of IRD assets can provide both estate tax and income tax charitable deductions, an IRD asset often is the preferred asset to bequeath to charity.

HOW DO I INCLUDE CHARITY IN MY ESTATE PLAN?

There are a variety of options to consider when planning the transfer of your estate assets. Knowing your options helps make your charitable gifts more effective, and more favorable to your estate.

- Bequests
- Retirement Assets
- Life Insurance
- Charitable Remainder Trust

BEQUESTS

A bequest is made through your will or trust. It is easy to establish and revocable. You can state your bequest as a set amount of cash, securities, or other assets; or as the "residue" or a "percentage of the residue" of your estate.

WHAT ARE THE DIFFERENT METHODS FOR MAKING A CHARITABLE BEQUEST?

SPECIFIC BEQUEST – With a specific bequest, you designate charity to receive a specific dollar amount or specific property.

RESIDUARY BEQUEST – A residuary bequest is used to give charity all (or a percentage) of your property, after all debts, taxes, expenditure, and all other bequests have been paid.

CONTINGENT BEQUEST – In the event of an unexpected occurrence, (e.g. your heirs predecease you) a contingent bequest will ensure that property will pass to charity rather than unintended beneficiaries.

RETIREMENT ASSETS

Assets held in 401(k), 403(b), and IRA accounts require special consideration in your financial and estate planning. The law requires income tax to be paid on any withdrawals from the accounts, which may diminish its value for you and your heirs. If you leave retirement assets to family members in your estate plan, an estate tax may be levied as well. This double taxation could significantly decrease the value of the asset for your heirs.

By donating a retirement asset to charity during your lifetime, you can remove it from your estate, preserve more of its value, and receive a federal deduction for the gift. By leaving retirement assets to charity in your will, you can avoid income and estate taxes and preserve your hard-earned assets for the charitable causes that you care about most.

LIFE INSURANCE

Some people find in later years they no longer need all the insurance they required when they were younger. By donating the policy, you may get an immediate tax deduction and substantial estate tax savings. If a policy is fully paid up, the tax deduction is either the replacement value or your cost, whichever is less. If a policy is not paid up, and you decide to continue paying the premiums, those amounts become deductible as charitable contributions.

Depending on your age and health, buying life insurance can be an inexpensive way to replace an asset given to charity. You should not be the owner of the policy--that would increase your taxable estate and estate taxes. To keep death benefits out of your estate, set up an Irrevocable Life Insurance Trust and have the trustee purchase the policy for you.

CHARITABLE REMAINDER TRUST (CRT)

A CRT lets you convert a highly appreciated asset like stock or real estate into lifetime income. It reduces your income taxes during your lifetime and estate taxes when you die. You pay no capital gains tax when the asset is sold, and it lets you help one or more charities that have special meaning to you.

With a CRT, you transfer an appreciated asset into an irrevocable trust. In many cases, this has the practical effect of removing the asset from your estate, and if so, no estate taxes will be due on it when you die. You also receive an immediate charitable income tax deduction. The trustee then sells the asset at full market value, paying no capital gains tax, and re-invests the proceeds in income-producing assets. For the rest of your life, or a term of years up to 20, the trust pays you an income. When you die, the remaining assets go to the charity(ies) you have chosen.

CHARITABLE LEAD TRUST (CLT)

A CLT is just about the opposite of a CRT. You transfer an asset to the trust, which reduces the size of your estate and saves estate taxes. Instead of paying the income to you, the trust pays it to a charity for a set number of years or until you die. The value of the charitable interest and deduction depends on the amount contributed, interest rates at the time the trust is funded, the length of the trust, and the amount or percentage to be paid out each year. The savings in estate taxes means that the members of your family may ultimately receive substantially more than if the property were left to them at your death. A CLT also can be a way to pass property on to your children or grandchildren while incurring little or no gift taxes.

CHARITABLE GIFT ANNUITY (CGA)

A CGA is a contract between you and a charity. You make a gift to charity using cash, securities, or possibly other assets. In return, you become eligible to take a partial tax deduction for your donation, plus you receive a fixed stream of income from the charity for the rest of your life.

DONOR ADVISED FUND (DAF)

A DAF is a flexible, low-cost solution to allow your family, friends or others you name to steward your charitable gift beyond your lifetime. You can contribute to a DAF during your lifetime and/or name it as the beneficiary of any of the planned giving options shared in this guide. DAFs are held and administered by public charities and therefore your gift will qualify for the same tax benefits of gifting to a public charity. When combined with other planned giving tools, DAFs will offer administrative convenience for your personal representatives and for those you name as advisors. You can choose to provide guidance during your lifetime on how you would like the funds managed by those you name as advisors when you die.

PLANNED GIVING OPTIONS

	BEQUEST	RETIREMENT PLAN ASSETS	LIFE INSURANCE	CHARITABLE GIFT ANNUITY	CHARITABLE REMAINDER TRUST	CHARITABLE LEAD TRUST	*DONOR ADVISED FUND
HOW DOES IT WORK?	Simplest form of gift planning (plan now, give later).	Name charity(ies) as the beneficiary of a plan.	Name charity(ies) as beneficiary and owner of a policy you own.	Simple gift contract that provides lifetime payments to one or two persons.	Trust that pays income for life or a term of years to donor and/ or others. Assets ultimately benefit charity.	Trust that makes payments to charity(ies) for a period of years. Assets ultimately return to you or pass to heirs.	Establish fund criteria with public charity that hosts DAFs.
A GOOD FIT IF YOU WANT TO...	Make a gift that costs nothing during your lifetime. Make a substantial gift when you no longer need asset(s).	Avoid double taxation at death; give tax-advantaged assets to heirs.	Make a gift at low cost.	Supplement income with steady payments that are partially tax-free.	Diversify assets; avoid or defer capital gains tax; secure often greater income and possible inflation protection.	Reduce gift and estate taxes on assets donor passes to heirs; lower income tax liability; retain control of assets.	Create a legacy giving fund at low cost that will offer administrative convenience to heirs.
HOW TO MAKE THE GIFT?	Name charity(ies) in will or trust by designating a specific amount, share of residue or specific asset.	Name charity(ies) as whole or partial successor beneficiary on your plan.	Donate a paid-up policy you no longer need.	Establish a gift annuity contract with charity that pays a set income for life.	Create a trust that pays income to donor and/or others, principal (remainder) ultimately goes to charity.	Create a trust that pays income to charity(ies), principal (remainder) untimately returns to you or heirs.	Name DAF as beneficiary of your planned gift.
REDUCE ESTATE TAX	✓	✓	✓	✓	✓	✓	
REDUCE INCOME TAX			✓	✓	✓	✓	
REDUCE OR ELIMINATE CAPITAL GAINS TAX	✓	✓	✓	✓	✓	✓	
GET INCOME BACK FROM GIFT				✓	✓		

OUR PARTNERSHIP WITH THE COMMUNITY FOUNDATION OF THE HOLLAND/ZEELAND AREA (CFHZ)

CFHZ was founded in 1951 to ensure that our community thrives today, tomorrow, and forever, by building our Community's Endowment and helping donors achieve their charitable goals, during their lifetime and beyond.

CFHZ offers Charitable Estate Management services and can help you create a highly customized plan for the charitable portion of your estate and ensure your wishes are met beyond your lifetime.

HOW IT WORKS:

- Choose your favorite 501(c)(3) nonprofits (local or national), how much you want each organization to receive (dollar amounts or percentages), and over what period of time you would like the dollars granted (lump sums, annual distributions or endowment). CFHZ takes care of distributing the gifts.
- If an organization you chose to support ceases to exist beyond your lifetime, CFHZ can follow your predetermined directions to apply your gift elsewhere.
- During your lifetime you can change your plan at any time
- You may choose to leave charitable dollars for your family to advise on.
- You may also choose to give anonymously.

CFHZ OFFERS SEVERAL CHARITABLE FUND TYPES TO RECEIVE YOUR PLANNED GIFT

UNRESTRICTED FUNDS

Unrestricted Funds are part of the Community's Endowment. CFHZ uses a portion of these funds each year to invest in community change across a broad range of issue areas. Unrestricted Funds allow you to leave a personal or family legacy in the community and know that the CFHZ Board of Trustees and staff will use the resources to respond to future needs and opportunities. Your gift will always be relevant, as resources are distributed to fit the most pressing needs and exciting opportunities in our community.

FIELD OF INTEREST FUNDS

Field of Interest Funds are part of the Community's Endowment and allow you to identify the needs in the community you care about most (e.g. Youth, Basic Needs, Environment), while allowing CFHZ to identify the best possible community investments to meet those needs.

DESIGNATED FUNDS

Designated Funds allow you to name one or more charitable organizations that will benefit from ongoing gifts from the fund. You specify how funds are to be used, and CFHZ will provide ongoing stewardship and oversight to ensure your intentions are fulfilled. Designated Funds can be permanently endowed or non-endowed with a specific spend down over a determined period.

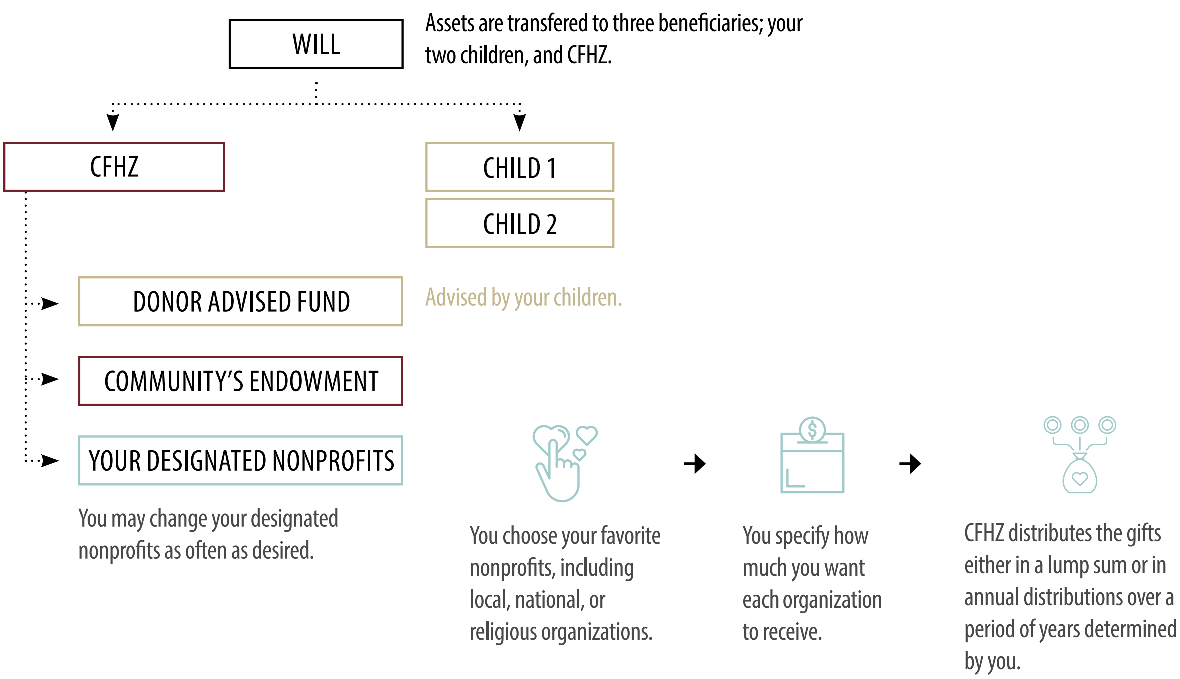
DONOR ADVISED FUNDS

Donor Advised Funds enable family or friends who you name to advise on your charitable gifts beyond your lifetime. You can choose to provide guidance on how the fund is managed (i.e. to support organizations in the Holland/Zeeland Area or to support a specific field of interest). Donor Advised Funds can be endowed or non-endowed.

SCHOLARSHIP FUNDS

Scholarship Funds allow you to leave a legacy and support higher education for our community's future. Whether it is academic success, financial need, community involvement, or a specific area of study, your planned gift can help fulfill the educational dreams for the type of students you wish to support.

ONE POSSIBLE SCENARIO



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