



# Hope for a Better World



A Creative Estate Planning Newsletter for friends of Ananda

## It is More Blessed to Give!

### *A Primer on Charitable Giving*

A study was released in March 2008 that backs up this traditional adage completely! It asked 632 Americans to rate their happiness on a scale of 1 to 5: **the higher the number, the happier they regarded themselves.** *"Regardless of how much income each person made, those who spent money on others reported greater happiness, while those who spent more on themselves did not,"* stated one of the researchers.

We know that we have received happiness when we experience in ourselves a sense of expansion and joy. This happiness can be experienced through charitable giving and especially in charitable gift planning which also offers some very specific financial benefits.

#### **Saving on Taxes through Charitable Giving**

For people who itemize on their tax returns and in 2008 will find themselves in a higher tax bracket, their charitable giving will become less expensive. This is because the value of their charitable deductions will be greater, as will be the resulting income tax savings. The bad news is our taxes are higher, but the good news is our tax savings are greater when we give to a charity.

#### **Appreciated Assets and Long-term Capital Gains Tax**

Stocks and bonds that have appreciated in value over the last couple of years have greater proceeds, so the long-term capital gains taxes are higher. Funding your charitable gifts with appreciated securities instead of writing a check makes more sense every day. The double tax savings - income tax based on the fair market value of the securities

and long-term capital gains tax savings on the appreciation - makes giving through your broker instead of your banker more blessed financially for you.

#### **Real Estate as a Funding Asset**

Despite the downturn in property values in recent years in certain parts of the country, real estate has increased in value over the last 10, 20 and 30 years. Many people who are preparing for retirement - especially the "baby boomers" as they approach and enter their 60s - are dreading the sizeable capital gains tax they will be facing as they consider downsizing to a smaller home or liquidating their real estate holdings. This is especially so if the person is single due to death or divorce of one's spouse: *the one-time exclusion in sale of a personal residence has been cut in half.*

Perhaps a bargain-sale with a 10 year installment payout might be that blessing in disguise that you were looking for. No house hunters, no price haggling, just agreement between friends - a win-win situation.

#### **A Gift for Endowment through Life Insurance**

Many charitably inclined people like the idea of being part of their favorite charity's outreach but feel they can't afford to make a significant gift now for endowment. "Leveraging" a major gift through life insurance - making smaller premium payments to fund a larger deferred gift - is giving-on-the-installment-plan for the budget minded. Funding the premium payments with appreciated shares of stock given to the charity and having the charity make the payments on the policy reduces the cost of the gift even further.



# Charitable Gift Planning

*"By failing to plan, you are planning to fail!"* was the warning Benjamin Franklin wrote in Poor Richard's Almanac. Applying this same principle to charitable gift planning, we might say, *"By failing to plan your gifts, you are raising the cost of your generosity."*

**Generous people want to give.** Often times, the only limit to their giving are their means. Therefore, in order to help as many people as possible, they need to s-t-r-e-t-c-h their means by wise planning. The following are a few examples of how this can be accomplished.

● John and Mary are active volunteers and generous donors to charities in their community. Their children have gone, they are in their late 50's and are planning for their retirement at 65. *How can they continue to give generously as they also set aside income for their retirement years?*

They can establish a **charitable remainder unitrust** and fund it with \$100,000 of appreciated shares of their mutual fund. John and Mary can be co-trustees of the unitrust and, since the mutual funds are primarily for growth, their transfer of funds to the trust will be little more than a paper transaction with their broker. Each year they can add \$10,000 to \$20,000 to the unitrust to increase the eventual payout. The charitable deductions each year can help them afford to be generous, and **the remainder interest of the trust will allow them to make gifts to endow their lifetime interests in their favorite charities.**

● Bob and Susan would like to do more for their favorite charity, but it seems their charity should begin at home. Susan's 82 year old mother is in a nursing home nearby. Susan and her brother each have agreed to contribute \$300 each month toward her expenses. This non-deductible expense really puts a crimp in their ability to be generous.

The "charitable alternative" to paying the nursing home expense out of their earned income is to fund a **charitable gift annuity** for \$45,000, naming the

mother as the annuitant, at the present payout rate of 8.0% (as of July 2008) for someone her age. They have "locked in" a steady cash flow to Susan's mother and have contributed significantly to the endowment of their favorite charity.

● **There is nothing more blessed in the eyes of grandparents than their grandchildren.** Paul and Anne had seven grandchildren, ranging from 4 to 17 years old. They would like to help them all but are unsure if they can do so at their ages. Some type of scholarship trust seems appropriate, but how to fund it with the most benefits to all becomes the question.

A 20 year term-certain **annuity trust** funded with \$100,000 of appreciated growth stock provides the answer. Paul can be the trustee and his two sons can be the successor co-trustees. Each year the trustee will distribute 7% of the trust's initial value. The trustee can sell the stock and reinvest the proceeds without paying capital gains tax *because it is sold within a qualified charitable remainder trust.* Over the 20 years the trustee will distribute \$140,000 to the grandchild in college. At the end of 20 years the remaining principal would be divided equally between Paul and Anne's favorite charities.

If blessings can be defined as achieving personal objectives while also fulfilling charitable interests; as being able to perpetuate one's interests beyond one's lifetime; as having your estate plan reflect your concern for family members and your charitable interests, then **it is more blessed to give.** The plans you make now will serve many people tomorrow.

**For Further Information** on how you can plan to be a blessing to future generations, send for your complimentary brochure, **A Guide to Planning Your Will and/or Planning for the Future.** Simply return the enclosed card, or call or email the Janaka Foundation office at:  
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**The Janaka Foundation - Building Ananda's Legacy of Light.**

This newsletter has been written by qualified specialists in financial planning and offers explanations of current techniques in easy-to-understand language. Through charitable gift planning, you can help us to prepare for our future of helping others. The information provided is general in nature. Each reader should consult his or her own counselors in applying the principles provided here.