

# Build a Legacy, Transform the Future

## A Guide to Planned Giving





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# The Rewards of Personal Philanthropy

**AS WE ALL CONFRONT THE CHALLENGES OF THE FUTURE**, we know the generosity of those who assist charitable organizations will have a tremendous impact on the success of those organizations.

Cardinal Newman School wants to ensure you benefit from making a gift to us. In addition to making a difference in the lives of our students, the best gift plans improve your financial and tax situation—often right away. A well-planned gift can reduce or eliminate long-term capital gains taxes, provide current income tax deductions, reduce possible estate and gift taxes, or even increase your income.

This booklet allows you to explore opportunities that combine your philanthropic giving with your financial needs and tax-planning strategies. Through creative gift planning, you can secure your financial future as well as the financial future of Cardinal Newman School.

To design a gift that benefits the people and organizations you care about most, we recommend you obtain the counsel of an estate planning attorney. Most organizations will work with your advisor to help you plan for tomorrow and receive maximum benefits today.



## A CURRENT WILL OR TRUST

*Have you postponed making or updating your will or living trust?*

Drafting these documents may seem like a daunting task at first, until you realize all the benefits they provide.

A gift in your will or living trust allows you to make a meaningful gift with ease and be flexible in your commitment. You can give cash, specific property, or a percentage of your estate, with restrictions or without. Because your gift doesn't go to the organization until after your lifetime, you can change your mind at any time.

To ensure your will accomplishes your goals, we recommend you obtain the professional counsel of an estate planning attorney.



### Benefits

- Balance your commitment to family with a desire to support a charitable organization.
- Distribute your assets according to your wishes.
- Save in estate taxes with proper planning.
- Build a legacy without giving up assets today.

### DID YOU KNOW?

More than half of all Americans pass away without a will. When this happens, assets are distributed according to the state laws where the deceased lived at the time of his or her passing.



## OUTRIGHT GIFT OF CASH OR CHECK

*A cash gift by check is one of the most common and easiest methods for making an outright charitable contribution.*

If you itemize income tax deductions on your tax return, the first tangible benefit of making a gift by cash or check is the tax deduction for the full value of your gift.

Charitable deductions for cash gifts to public charities are limited to a percent of your annual adjusted gross income. Any unused deduction can be carried over to reduce future income tax liability and used for up to five additional years, giving you six full years to use the deduction.

The second benefit is seeing the immediate results of your generosity. When you make a cash gift, you are demonstrating a strong commitment to help support Cardinal Newman's mission and contributing to our success.

## Benefits

- Receive a current income tax deduction.
- Reduce your potential estate taxes in the future.
- Determine the exact amount of your desired support
- Experience the joy of giving today.

# PERSONAL PROPERTY AND SECURITIES

*Any type of asset you irrevocably donate to a charitable organization results in a current income tax deduction, but there may be other tax benefits from your contribution.*

Gifts of appreciated property held more than one year have the added benefit of eliminating the tax on the gain.

You can also give tangible personal property (like an art object, prized collection, or antique) and take a deduction for its full fair market value if the gift is used for an organization's exempt function.

These are just two of the types of assets you can donate outright. Donating assets other than cash allows you more flexibility when planning your gift, and there are even more potential benefits if you plan your gift creatively.

## Benefits

- Receive a current income tax deduction for gifts of securities.
- Provide relief from capital gains tax with gifts of securities.
- Make meaningful gifts with donations of personal property.
- Help fulfill an organization's mission with your contributions.

## EXAMPLE

**Dave has stocks currently valued at \$20,000 that he purchased for \$4,000 several years ago, which will result in a \$16,000 capital gain if he sells the securities. He is in a 28 percent marginal income tax bracket. Dave decides to donate the stock to his favorite charitable organization instead of selling it. By doing this, Dave receives an income tax charitable deduction for the full fair market value of \$20,000 and eliminates any capital gains tax.**

# 72%

Of Americans over 30 who have received or expect to receive an inheritance feel it is reasonable to designate 5 to 10 percent to charity.

*Stetler Donor Insight Report*



## YOUR RETIREMENT PLAN ASSETS

*Currently over 35 percent of your retirement plan assets can be consumed by taxes when given to your family. To eliminate taxation of these assets, many people use their retirement plan assets to make gifts to tax-exempt charitable organizations and leave less heavily taxed assets to family.*

If you can make other provisions for your family, there is a better option for your retirement plan assets—a charitable gift after your lifetime.

To name a charitable organization as the beneficiary, first consult your tax advisor, then instruct the plan administrator of your decision and complete the required documentation. For an IRA or 403(b) plan you administer personally, notify the custodian in writing and keep a copy with your valuable papers.

### Benefits

- Eliminate all federal income and estate taxes by naming an organization as the primary beneficiary.
- Receive partial savings when giving an organization a specific amount before transferring the remainder to your family.
- Name an organization as the contingent beneficiary, allowing greater flexibility.
- Make the most cost-effective gift possible, saving less-tax assets for loved ones.

### EXAMPLE

**Bill wants to provide for his children, but he also wishes to leave a charitable gift.** Bill decides to pass on income-tax inheritances such as real estate, cash, and life insurance to his heirs and gives his retirement plan assets to his favorite charitable organization. The assets in his account will pass to the charitable organization free of any tax obligation. In addition, Bill's gift qualifies for an estate tax charitable deduction. Most important, Bill can change his mind at any time about the gift.

## QUALIFIED CHARITABLE DISTRIBUTION

In 2015, the US Congress passed the *Protecting Americans from Tax Hikes* or PATH Act. As a result, you can transfer up to \$100,000 from your IRA to any charity you like...TAX-FREE. If you are 70½ or older, and may be considering taking advantage of this tax-free opportunity, we ask that you prayerfully consider Cardinal Newman as a possible recipient of your kindness.

# 57%

Of Americans 30 and older aren't aware of the tax bite on their retirement accounts when they name loved ones as beneficiaries.

Stetler Donor Insight Report



# Compare *Your* Options

*Impact on Charitable Organization*

	<b>Pays you Income</b>	<b>Immediate Impact</b>	<b>Impact After Your Lifetime</b>
Outright Gift of Cash or Check Page 5		√	
Outright Gift of Securities Page 6		√	
Outright Gift of Personal Property Page 6		√	
Gift of Life Insurance Page 12		√	
Gift of Real Estate Page 13		√	
Charitable Lead Trust Page 18		√	
Gift in Will or Trust Page 4			√
Gift of Retirement Plan Assets Page 8			√
Retained Life Estate Page 14			√
Charitable Remainder Trust Page 16-17	√		√
Charitable Gift Annuity <sup>2</sup> Page 19	√		√

**USE THIS  
CHART to identify the gift that  
best fits your  
financial and  
charitable goals.**

<i>Tax Benefits</i>			<b>Additional Benefits</b>
<b>Immediate Income Tax Benefits</b>	<b>Future In- come Tax Benefits</b>	<b>Capital Gains Tax Benefits<sup>1</sup></b>	
✓			Support an organization in the easiest way.
✓		✓	Provide an immediate benefit to the organization.
✓		✓	Make a significant gift today without adversely affecting your cash flow.
✓	✓		Make a larger gift than you thought possible.
✓		✓	Improve our cash flow by not having to pay real estate taxes, maintenance, and insurance.
			Support an organization now and provide for your loved ones in the future.
			Make a flexible gift.
			Allow less heavily taxed assets to be passed to loved ones.
✓			Have lifetime use of residence.
✓		✓	Use appreciated assets to maximize your tax benefits.
✓	✓	✓	Receive fixed payments for life.

<sup>1</sup> Assuming long-term appreciated assets ...

<sup>2</sup> Not available in some states or from some organizations

## LIFE INSURANCE

*When you first obtained your life insurance policies, you obviously felt a need for them.*

*Perhaps you do not need all that coverage today, yet you still have those policies.*

A gift of your life insurance can be a sensible, as well as generous, course of action. If you make the charity the owner of the policy, you will normally receive an income tax deduction for the policy's fair market value or cost basis, if lower, on the date of the gift. If you name a charity as beneficiary of the policy (and retain ownership), you won't be eligible for current tax benefits because the gift is revocable at any time.

Whether you name an organization as owner of the policy or name it as the beneficiary while you retain ownership, your estate will not pay taxes on the policy proceeds the organization receives.

## Benefits

### **Name an organization as owner**

- Receive a charitable income tax deduction by naming an organization as beneficiary and assigning ownership.
- Receive a future income tax deduction by naming an organization as owner and continue paying premiums.

### **Name an organization as beneficiary**

- Obtain flexibility by naming an organization as primary beneficiary but keep ownership.
- Name an organization as contingent beneficiary and secure your family's needs first.

## 3 OPTIONS: Life Insurance Policies You Can Give

1. A recently issued policy
2. An existing policy in premium-paying mode
3. A paid-up life insurance policy

## REAL ESTATE

*Are you thinking of selling land or a building? Beware of capital gains tax!*

If you sell your primary residence, you can exclude up to \$250,000 (\$500,000 if you are married) of the gain. This tax break does not apply to other types of real estate, however, so you may have a better alternative.

A charitable contribution of real estate—whether it is your personal residence, a vacation home, a farm, commercial real estate or vacant lot—will give you numerous advantages.

When giving your home or other real estate to a charitable organization, you create an enduring testimonial of your interest in its mission. Your personal satisfaction is also complemented by valuable tax benefits.



### Benefits

- Receive an income tax charitable deduction for the full fair market value.
- Eliminate tax on the property's appreciation.
- Avoid the hassle of trying to sell the property.
- Make a gift to support a great cause and reduce your taxable estate.

### DID YOU KNOW?

Even if your property has lost value in recent years, for tax purposes it is still appreciated if its current value is more than what you originally paid for it.



## RETAINED LIFE ESTATE

*Let us assume you like the tax advantage a charitable gift of real estate would offer, but you want to continue living in your personal residence for your lifetime.*

Do you realize you can give a charitable organization your home and continue living there?

It is true! This type of gift is called a retained life estate.

You give a personal residence or farm to an organization but retain the right to occupy it for life. The property doesn't have to be your primary home, but it must be a personal residence (such as a vacation home or condominium). You'll still pay property taxes, maintenance costs, and insurance but will receive numerous tax benefits.

## Benefits

- Use the residence for your life and/or another person's life.
- Receive income tax savings through a charitable deduction for a portion of your home's value.
- Reduce estate taxes.
- Avoid the hassle of selling the property at a future date.

# 69%

Of Americans over 30 expect to leave an inheritance  
Stelter Donor Insight Report



## CHARITABLE REMAINDER ANNUITY TRUST

*If you are disappointed in the yield from your current investments in the stock and bond markets, yet you want to eliminate the capital gains tax should you sell, consider a charitable remainder annuity trust.*

With this type of gift, you, and /or another beneficiary that you choose, receive a fixed dollar amount each year for life or for a period of up to 20 years from assets you place in a trust. At the end of the trust term, the balance in the trust is transferred to the organization of your choice enabling countless others to reap future benefits from your generous gift.

### Benefits

- Receive a fixed-dollar income paid annually, semiannually, quarterly, or monthly.
- Obtain a partial charitable deduction.
- Increase income from a low-yield asset.
- Gain freedom from investment management.
- Eliminate up-front capital gains tax on long-term appreciated assets used to fund the trust.

### EXAMPLE

**Joan, 80, depends on income from her portfolio of securities.**

Lately, the current yield of her holdings has averaged only two percent (about \$3,000). Joan decides to establish a charitable remainder annuity trust, funding it with appreciated stocks worth \$150,000 that had originally cost her \$100,000. The trust pays Joan 6 percent or \$9,000 each year. She is entitled to a charitable deduction of \$84,851 (based on annual payments and 2.4 percent charitable midterm federal rate) she can carry over for up to five additional years. Her trust can sell the stock without incurring any capital gains tax and, after her lifetime, the trust's balance will go to her favorite charitable organization.

# CHARITABLE REMAINDER UNITRUST

*A charitable remainder unitrust is a gift to an organization, but it's so much more. This unique gift option also allows you to enjoy supplemental income and immediate tax benefits—and reduce the taxable value of your future estate.*

A unitrust can be tailored to fit your circumstances. You can fund a unitrust with cash and assets (appreciated property or stocks generate the greatest savings to you). The amount you receive as income varies each year. This amount is calculated annually based on a set percentage (chosen by you) of the market value of the assets.

After your lifetime (and, if you wish, that of a survivor), or a period of up to 20 years, the balance of your trust supports a charitable organization's mission.

## Benefits

- Receive lifetime variable income (often greater than the yield on contributed assets).
- Obtain a sizable income tax charitable deduction.
- Eliminate up-front capital gains tax if you donate long-term appreciated securities.
- Make a significant gift to one or more charitable organizations.

## EXAMPLE

**Helen, 65, owns \$100,000 in stocks she no longer wants.** The stocks, purchased many years ago for \$50,000, pay her a dividend of only 1.1 percent. Helen decides to give her stock to a charitable remainder unitrust she creates. Each year it will pay her 6 percent of the fair market value of the trust assets. Helen receives an immediate charitable income tax deduction of \$39,299.\* with a marginal income tax rate of 28 percent, she saves \$11,004 in income taxes and increases her income this year from \$1,100 to \$6,000.

\*Based on a 2.4 percent charitable midterm federal rate.

## CHARITABLE LEAD TRUST

*Are you concerned about the possibility of taxes taking a substantial portion of the assets you were planning to leave your heirs?*

There is a strategy to pass assets to your family with significant estate tax savings while making a gift to a charitable organization. It is called a charitable lead trust.

After an organization receives income from assets in the trust for a period of years, the principal goes to your selected loved ones, with estate or gift taxes usually reduced or even eliminated.

The lead trust is an exceptional way to transfer property to your children or other heirs at minimal tax cost. It is ideal if you are willing to forgo investment income on an asset but do not want to have estate taxes reduce the principal passed to heirs.

With a lead trust, you can carry out your philanthropic plans over the coming years and save on taxes.



### Benefits

- Fund the trust during your lifetime or through your will.
- Support a charitable organization's mission through annual income payouts.
- Reduce your taxable estate and potential gift taxes.
- Keep assets in the family.

## CHARITABLE GIFT ANNUITY

*The concept of a gift annuity is simple. You donate assets that a charitable organization invests. The organization agrees to make fixed payments to you for life (and, if desired, for another beneficiary's lifetime). At the end of the agreement, the funds are available for the organization to use.*

A charitable gift annuity is attractive because it ensures you a stream of income that you can't outlive. It is also a superb way to make an enduring gift that supports an organization when the balance becomes available for its needs.

The rate you receive is determined by your age on the date of the gift. Annuity rates are higher for older donors, but the rate remains constant once the gift is made. For two lives, the rates are slightly lower because the period of payment is usually longer.

## Benefits

- Receive lifetime payments for yourself and possibly another person.
- Obtain a charitable deduction for a portion of the value of the gift.
- Secure partially income tax-free payments.
- Save on capital gains taxes when you contribute appreciated securities.



Outlined in this brochure are numerous financial instruments by which an individual may make financial gifts that will enhance and strengthen our school's mission and ministry of providing quality education to our students. The contents are not intended as legal or financial advice; every donor should consult his or her own legal and financial advisors in the planning and making of any gift.

Cardinal Newman School is a not for profit (501)(c)(3) organization. All gifts are tax deductible in accordance with current tax laws.

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