



# Foundations for the Future

*A special gift, estate, and financial planning newsletter for friends of the Pine Rest Foundation*

## Plan Now to Maximize Your Gifts

**T**he final months of the year can be a good time to review your financial and personal goals—both now and for the future.

Time spent considering your financial priorities, including how best to make your charitable gifts, can help you maximize the impact of your giving by taking advantage of available tax savings and other welcome benefits.

Continued uncertainty about tax laws, fluctuations in investment markets, and other factors may make it especially important to weigh financial decisions more carefully this year.

### *Taking control*

As you consider your plans for the remainder of 2010, remember that mortgage interest, property taxes, and many other tax deductions are often determined by loan terms and other factors.

Your charitable gift deductions, on the other hand, are completely within your control. By carefully planning your gifts and completing them by December 31, you may discover new ways to reduce the amount of tax you will owe for this year.

### *Plan for the future*

Tax law changes pending and proposed for next year make this an ideal time to review your long-range financial and estate plans as well. Careful planning today can play an important role in ensuring continued economic security for you and loved ones, while also achieving your charitable goals.

If you have questions, need assistance, or would like more information about Pine Rest Foundation, please contact Randall Johnson at (616) 281-6367 or [Randall.Johnson@pinerest.org](mailto:Randall.Johnson@pinerest.org).

Please remember Pine Rest in your year-end giving.

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- *Will Congress change your will?*
- *Other ways to give*

## Planning Overview

- Complete gifts in time to qualify for tax savings on your 2010 income tax return.
- Keep all receipts and acknowledgment letters, especially for gifts of \$250 or more.
- Consider using securities worth more than you paid for them to make gifts. Such gifts typically yield greater tax benefits.
- Make sure you keep track of capital gains realized this year, as charitable gifts may offset these gains.
- Consider how charitable gifts can help offset taxes on a Roth IRA conversion.



## REDUCE ALTERNATIVE MINIMUM TAX

Increasing numbers of taxpayers have been surprised to learn they owe additional taxes due to the Alternative Minimum Tax (AMT). Over 21 million taxpayers are expected to be impacted by the AMT this year. While many deductions and adjustments do not apply for AMT calculation purposes, charitable gifts are deductible under both the regular and alternative minimum tax systems.

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. ©MMX RFSCO, Inc. All Rights Reserved. NYD2-10

# Making the Most of Your Gifts

If you are planning to make charitable gifts to Pine Rest before the end of the year, you may want to pay special attention to what and when you choose to give.

## *What to give*

Cash and checks are the most popular means of making charitable gifts. Through such gifts completed by December 31 and deducted on this year's tax return, it may be possible to eliminate tax on up to half of your 2010 adjusted gross income (AGI). In some cases, gifts may be "carried over" to reduce taxes in up to five additional years.

And, unlike many other deductions, charitable gifts are deductible from both regular and alternative minimum taxes.

## *Advantages of giving securities*

As you consider your gifts this fall, keep in mind that securities and certain other assets owned for more than one year that are worth more than you paid for them are generally deductible at their full current value. In other words, you are allowed to deduct not only what you paid for the property but also any "paper profit" or gain in the investment.

As a result, you completely bypass capital gains tax that would otherwise be due. Additionally, you may be able to eliminate tax on a large portion of your AGI in this way.

For instance, Mike and Anne normally make charitable gifts in the form of cash. This year they decide instead to give stock that has increased in value since they have owned it. They are then able to deduct the full value of the stock

while completely bypassing capital gains tax.

## *Give and "lock in" value of stocks*

Pamela owns securities that are worth significantly more than she paid for them. She believes they may further appreciate in the future but is not sure. Instead of giving cash, Pamela decides to make a gift using these securities.

She is entitled to a tax deduction for their full value. Pamela then uses the cash she had set aside for her charitable gift to repurchase the same number of shares at the current market price.

She now owns the same number of shares as before, but she has effectively "locked in" a new, higher cost basis while bypassing tax on the gain prior to the time of her gift.

If the new shares increase in value, she will have less gain to report when she eventually sells the stock. If their value declines, she may be able to deduct the loss for tax purposes.

## *Utilize losses*

If you have investments that have decreased in value since you have owned them, consider selling them (thereby creating a loss you may be able to deduct) and giving the cash proceeds. "Harvesting" losses in this way can result in tax deductions that actually total more than the current value of the investment.

Check with us or your advisors for more information about tax-favored gifts of securities and other assets.

# Q&A About Year-end Giving

## **Q. Why should I consider making a gift before the end of the year?**

**A.** You may want to take a special look at the timing of your gifts in order to maximize your tax savings. Only gifts completed by December 31 will be available to help reduce your tax bill for this year. Your tax rate determines how much you save: the higher your rate, the more you save from each dollar donated. If your state also taxes your income, your savings may be even greater.

## **Q. Should I consider delaying my gifts until next year when taxes rates may be higher and my deductions worth more?**

**A.** While it is true that deductions can save you more when you are in a higher tax bracket, that is only part of the picture. You must also consider the fact that limits on deductions for higher income taxpayers are scheduled to return in 2011 and there have been proposals to further limit the value of charitable and other income tax deductions. In that case, gifts made this year may save substantially more taxes than next year. Keep in mind also that if you do not make gifts this year, you will owe tax next April on the amounts not given.

## **Q. Why should I arrange my gifts to Pine Rest as early as possible?**

**A.** In order to enjoy tax benefits for charitable gifts this year, gifts must be completed no later than December 31. It's best to begin discussing your plans with advisors early to assure enough time to complete transfers and avoid hasty last-minute decisions.

## **Q. I understand the benefits of giving appreciated securities. But what is the most economical way to give securities that have gone down in value?**

**A.** To give depreciated securities, it is usually best to sell the asset and then give the cash proceeds. This may enable you to take a deduction for the capital loss in addition to a deduction for the charitable gift, thereby making it possible for you to deduct more than the current value of the property.

# Will Congress Change Your Will?

Changes that have taken place in federal gift and estate tax laws in recent years have resulted in estate and gift tax relief for many Americans. In fact, federal estate taxes were actually repealed for 2010.

That is because the law originally enacted in 2001 provided for a one-year total repeal of the estate tax in 2010. Starting next year, however, federal taxes will once again apply to the estates of many who pass away after 2010—and the rates will be the highest in nearly a decade.

## *Changes could affect your plans*

As you make plans to reflect tax law changes, you may want to consider how potential estate tax changes could affect your existing plans. If your current plans were based on laws that may no longer apply, it may be time to reconsider those plans.



## *Year-end Pointers*

### *Appraisal rules*

If you give non-cash property valued at more than \$5,000, the IRS generally requires that a qualified appraisal be completed. See your tax advisor and IRS Form 8283 for more information.

### *Keep good records*

Records of all deductions claimed on your income tax return should be kept. Be sure to keep canceled checks and receipts for other gifts.

*Now may also be a good time to review your long-term plans, with special attention to how they may include a “gift of a lifetime.”*

## Other Ways to Give

Charitable gifts to Pine Rest can be made from arrangements you may already have in place, or you may choose to use special tools that feature current tax savings, increased income, and other benefits.

### *Giving alternatives*

You can make meaningful, lasting gifts in one or more of the following ways:

- Through your will or living trust.
- By making a charitable interest a beneficiary of all or a portion of the remainder of retirement plan accounts.
- By giving a share in the proceeds of life insurance policies no longer needed for their original purpose.
- By naming charitable beneficiaries to receive all or a portion of what remains in investment accounts through what are known as pay on death provisions.

### *Considering a Roth IRA conversion?*

It has been estimated that some 14 million persons will take advantage this year of new opportunities to convert a traditional IRA to a Roth IRA. If you are looking for ways to minimize the taxes due on the conversion, you may want to explore how you can combine a Roth conversion with charitable gifts in ways that minimize or eliminate your tax liability.

There are also ways to give that enable you to make gifts to your charitable interests today while retaining income for yourself and/or your loved ones. You may benefit from professional asset management as well as capital gain and other tax savings.

Other planning tools allow you to create charitable gifts for a period of time before providing a tax-free inheritance for your loved ones.

Please let us know if we can furnish more information to you or your advisors to assist you in the charitable aspects of your plans.

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## Secrets a True Giver Understands

- That the best gift is given freely, willingly. The gift is sent on a one-way street.
- That giving comes from the heart. It is an expression of love and concern for others.
- That giving creates joy. We feel good when we give.
- That giving pleases God. A gift of integrity brings blessing and honor.
- That a gift to the Pine Rest Foundation is a gift that keeps on giving.

Your decision today will unlock these secrets for you tomorrow!

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