

May 3, 2009

### What a Time to Plan

Due to stressful economic times many people are overlooking what a great time this may be for estate planning. With stock and real estate prices depressed, it is really a great time to consider many estate planning and gifting strategies. Estate and Income tax rules are the best we will see in our lifetime more than likely.

The Zebulon Baptist Church Endowment Fund is a vehicle that allows tax advantaged options for members to ensure long-term vitality & stability of church programs and missions. Endowment funds have restrictions on use of principal so it is not to be confused with an operating reserve fund. Many universities and non profits have large endowments and Zebulon Baptist Church needs to grow its endowment fund.

Almost all the giving strategies that work to fund the ZBC Endowment Fund can be used to donate to the operating budget or the capital fund. The best strategy is to seek out the most simple and cost effective method to make your gift to the program(s) of your choice. **You do not have to be a millionaire to make an impact. There is a way for everyone to participate.**

### Outright Gifts

Perhaps the simplest and certainly the quickest means to generate Endowed support are outright gifts. Outright gifts qualify for the greatest tax benefits and savings which reduce the actual costs of making the gift.

- (a) Cash gifts are easy gifts to make and these gifts are immediately deductible.
- (b) Securities (stocks, bonds, etc.) owned more than a year can be deducted on your tax return at current value. If you paid less for your asset, you will avoid the capital gains tax by making the gift.
- (c) Real Estate- Gifts of appreciated real estate offer the same tax advantaged strategy as giving appreciated securities.

**HINT** – You can give the church a larger Endowment gift at no additional cost to yourself if you donate an appreciated asset. You are in effect giving the church the portion of the asset that would be used to pay Federal and State capital gains taxes if you sell it.

## Deferred Gifts

Deferred gifts allow many donors to make larger future gifts than would be realistic currently. There are many ways to make such gifts but there are basically two types of deferred gifts: **(a) Irrevocable** and **(b) Revocable**

Irrevocable Gifts are normally not always made in a manner that allows the donor current income tax advantage as well as potentially estate tax savings in exchange for making the gift in a manner that allows ZBC to be certain of the gift.

- (a) Life Insurance Policies if ZBC is both owner and beneficiary. Tax benefits depend on how they are funded.
- (b) Charitable Remainder Trusts. These are more complex but when they fit a situation, they can be great. Fund the trust by transferring assets to the trust. The donor can take income based on a fixed amount based upon asset value (time of gift) or variable based on value each year. This generates current income tax deduction at time of gift and the remainder interest is excluded from estate as it goes to Zebulon Baptist Church.

**HINT-** You can even replace the asset value for heirs by using the annual income from the trust to buy life insurance equal to your gift and have this owned by an insurance trust outside of your estate.

Charitable Gift Annuities are contracts between ZBC and donors. These provide income for life to donor and the remainder to ZBC as well as income and estate tax benefits for the donor.

Charitable Lead Trusts are normally funded by large gifts and work in reverse. The Trust would generate income to ZBC for a stated period of years and then the corpus passes on to the heirs. No income tax deduction here but this allows property to pass on to the next generation at a lower cost.

Example: \$1,000,000 corpus in Charitable Lead Trust with ZBC getting 5% income (\$50,000) annually for ten years. Then the \$1,000,000 goes to heirs (unless the heirs are good members and wish to donate the corpus to ZBC.)

Revocable Gifts are gifts made in a manner which would allow the donor to change his or her mind. Such gifts normally generate no current income tax deductions, but the property will be **EXCLUDED** from any taxable estate.

- (a) Bequest in will naming ZBC. This is simple to do and you have the use of property during your lifetime. You do not just tell someone this. You should discuss it with your family and put it in your will.
- (b) Living Trust naming ZBC as beneficiary. This is much like the Bequest (mentioned above) in that you have use of property during your lifetime and you can change your mind at anytime. Living trusts can help avoid probate costs and delays.
- (c) Naming ZBC beneficiary of a life insurance policy. This is revocable by the donor (or whomever the owner is) unless you name ZBC both owner and beneficiary.
- (d) Naming ZBC beneficiary of your retirement plan.

### **Summary**

There is a way you can contribute to the stability of Zebulon Baptist Church for the future. No matter how small or large your gift may be, please contact an Endowment Fund member. One of these members will be happy to discuss your unique situation(s) with you.