THE EPISCOPAL CHURCH OF THE REDEEMER

PLANNED GIVING: SOME CHOICES

Bequest through a will
After providing for your loved ones, you may wish to make bequests in your will to benefit institutions or causes you care about. Because the estate tax charitable deduction is unlimited, a bequest to Redeemer not only will perpetuate your support of the church, but also will reduce the size of your taxable estate, and is likely to result in lower federal estate taxes as well as state inheritance and estate taxes.

Bequests may be of several types:

- Specific: "I bequeath $XX,XXX to The Episcopal Church of the Redeemer, 6201 Dunrobbin Drive, Bethesda, MD 20814" or "I bequeath [specific asset(s)] to The Episcopal Church of the Redeemer, [address]."
- Residue: "After all the previous bequests, I bequeath the residue of my estate, if any, to The Episcopal Church of the Redeemer, [address]."
- Percentage of residue: "I bequeath X percent of my residuary estate to The Episcopal Church of the Redeemer, [address].
- Contingency: "If [specific beneficiaries] do not survive me, I bequeath their portion of my estate to The Episcopal Church of the Redeemer, [address]."
- If you do not wish to rewrite your existing will, a bequest also may be made by a simple codicil, or amendment, to your will.

Revocable Living Trust
Another common tool in estate planning is a revocable living trust, a type of trust that can be revoked or rescinded if needed. You can specify a gift of property or assets and/or income from property to Redeemer in the trust, but preserve the freedom to change your mind if you should ever need the property or income. This ability to change differs from other trusts described later in this booklet, which are irrevocable and receive significant tax advantages. If the remainder of the property in the trust passes directly to Redeemer at the time of death, that property becomes a charitable contribution and therefore exempt from estate taxes.

Life Insurance
A gift of life insurance can be one of the easiest and least costly ways to contribute to Redeemer. Gifts of life insurance may take several forms. A life insurance policy that is no longer needed for its original purpose may be donated outright to the church and a tax deduction taken for the amount of its cash value. Further deductions are allowed for any premiums that are subsequently paid by the policy donor. Redeemer also may be named as a contingent beneficiary of any existing life insurance policy. In this case, there is no immediate tax deduction, but any policy proceeds paid to the church will not be subject to federal estate tax. Another way to make a gift of life insurance is to purchase a new policy designating Redeemer as the owner and sole beneficiary. By doing this, a significant gift can be given to the church at a relatively small

net cost. All premiums are tax-deductible contributions. If annual premium payments are funded through gifts of appreciated securities, capital gains taxes on those securities often may be avoided.

Retirement Accounts

IRAs, 401(c)(3) plans, company pension plans and profit-sharing accounts are all ways to accumulate funds that will provide security in retirement. While we expect to use these funds ourselves, it is possible to build up such accounts beyond what is needed for the comfortable support of ourselves and our loved ones. If you find this is true in your case, you may wish to make a gift of such an account to Redeemer. Taxes on inherited retirement accounts can be extremely steep, making these assets particularly suitable for designation as charitable gifts. In addition, it can be gratifying to know that the funds for which you have worked a lifetime and carefully saved will be used for purposes you believe in. Be sure that you have instructed the institution or company handling your retirement accounts about how you want the funds distributed in the event that any others named as beneficiaries die before the funds are exhausted. You may also want to consider designating the church as the final beneficiary of all or a part of these funds.

Real Estate

A gift of long-term appreciated real estate provides the donor with two kinds of tax benefits: 1) a charitable tax deduction for the fair market value of the property and 2) a reduction in capital gains tax on the appreciated value of the property. An alternative to an immediate gift of real estate is what is known as a life estate. With a life estate, you make a gift of your personal residence, farm or vacation home, yet you and your spouse can continue to live in it for the rest of your lives. You get an immediate income tax deduction for the charitable remainder value of the appreciated worth of the property, and also minimize the capital gains tax on its appreciated value. Other forms of real estate gifts also entitle you to tax benefits. You can give complete use of a piece of property for part of the year (retaining use of it yourself for the rest of the year); alternatively, you can donate a portion of your interest in a rental property and retain the other portion for yourself. While the benefits of real estate gifts are many, the law is strict as to what qualifies as a gift. It is important to discuss the details with a financial or legal advisor.

Charitable Remainder Trust

A charitable remainder trust allows you to make a gift while retaining income from the property you have donated. Such a trust is created by giving assets for investment to a trustee (not to Redeemer), who holds the assets in a separate fund and invests them to earn a lifetime income for you or, if you wish, another beneficiary. The assets revert to Redeemer after the last designated income recipient has died. Trust income can be a welcome supplement to income earned through a retirement plan, and trust payments can be fixed or variable, depending upon the type of trust. With an annuity trust you receive a fixed percentage of the initial value of the assets placed in trust; with a unitrust you receive a percentage of the fair market value of the assets at a certain point each year. You may add to a unitrust at any time, and as assets in the trust grow in value, annual payments continue to increase. A tax deduction can be taken in the year in which the trust is created. The deductible amount will be determined by your age, the type of trust, payment percentage and other factors. Appreciated property that produces little income is an ideal asset for use in creating a charitable remainder trust.

Charitable Lead Trust
One way to make a gift over a period of years to a nonprofit organization such as Redeemer is to establish a charitable lead trust. This type of trust is the opposite of the charitable remainder trust, as it gives the income of the assets to the church and retains the ownership of the assets, which are then passed on to one's heirs. A lead trust is one way to reduce or eliminate gift or estate tax on assets given to children or grandchildren. An estate or gift tax may be payable at the time the trust is created, but it will be substantially smaller than the tax would be if the assets had been given outright to the heirs. Assets are transferred to a trust fund, which pays to the church the income from the fund (either a fixed dollar amount or a fixed percentage of the trust's value) for a specified period (more than 10 years). At the end of the designated time period, the trust terminates and the assets are distributed to your chosen beneficiaries. This type of trust is most helpful for donors with sizable estates (generally in excess of $3 million) who wish to pass substantial sums to younger heirs with minimal estate or gift tax.

Charitable Gift Annuity
A charitable gift annuity is a gift to a charity that then guarantees to pay an income for life. There are four different types:

- Single: payable to only one beneficiary— either the donor or another person designated by the donor.
- Joint with Survivorship: payable to two different beneficiaries at the same time, then payable to the survivor.
- Survivorship: payable to two people, but one after the other (e.g., payable to one spouse until death, and then to the surviving spouse).
- Deferred Gift Annuities: payments are set to begin at a later date, often at retirement. For the same initial gift, this provides a significantly greater deduction now and an increased annuity amount later. Survivorship features can be built in.
- A gift annuity generates significant tax benefits. Because the gift is irrevocable and in part a charitable contribution, the donor receives an immediate income tax deduction to help offset current income. Furthermore, if appreciated property is used to buy the gift annuity, part of the gain is nontaxable and the rest can be spread over the donor's life expectancy.
- There are several other appealing features of a gift annuity:
- A portion of each annuity payment is considered a return of principal and therefore provides tax-free income.
- One can establish a gift annuity with a relatively small sum of money. Because donors retain the income from their gifts, people of modest means can afford to make gifts to the church during their lifetime without financial sacrifice.
- In periods of falling interest rates, the security of a generous, reliable, non-fluctuating income has made charitable gift annuities a favorite giving vehicle for those who are concerned not so much with increasing their assets as with finding ways to ensure an income they cannot outlive.

This page in no way should be considered to be rendering tax, legal or other professional advice. Given the complexities of the rules relating to tax deductions for charitable giving, it is important that you consult an attorney or professional advisor when planning a gift.

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