



**Retirement Planning and  
Charitable Giving**

## Options for Every Stage of Life

Retirement planning is a process. Whatever your age or stage in life, it's never too late to get started, and it's never too early to think about the role philanthropy could play in your planning. This brochure explores some of the planning options available to everybody—from the recently retired, to executives and professionals nearing the end of their careers, to happily retired singles and couples well into their golden years. At every age, in every stage of life, there are gift planning options that can:

- Join philanthropy with retirement planning
- Help you realize important goals and objectives
- Ensure that you are able to make charitable giving a personally satisfying part of retirement

## Strategies for the Career Years

Employees who are serious about reaching retirement goals stay informed and take ownership of the planning process, whether they work for a Fortune 500 company or a small closely held business. Workers can adjust retirement goals and strategies in important ways over the life of a career. Fortunately, there are options that make it possible to plan a meaningful gift while retaining the flexibility to adjust plans as objectives and finances change.

### **Making a Beneficiary Designation**

One of the easiest ways to blend gift planning with retirement planning is to name us as the beneficiary of a retirement plan or life insurance policy.

- As the **primary beneficiary**, we receive the retirement funds or life insurance proceeds at your death (check with your plan administrator to ensure your beneficiary selection meets the retirement plan's specific requirements).
- As a **contingent or secondary beneficiary**, we receive the funds only if the primary beneficiary cannot.
- As a **partial beneficiary**, we receive part of the funds, while the rest goes to another beneficiary.

## Converting a Taxable Bonus Into Tax-Deferred Wealth

Career years can present opportunities to make a gift that supports our mission while providing you with immediate tax benefits and future income.

**EXAMPLE:** Sara, a corporate executive, receives a \$20,000 bonus. She does not currently need the cash, but she would like to find a way to “send money ahead” for retirement security. She would also like to pay as little current tax as possible.

After doing some research, Sara was pleased to find that deferred charitable gift annuities could reduce her current taxes while adding to her retirement income. What appealed to her even more was the fact that she could put away as much money as she wanted every year with no restrictions or contribution limits—unlike qualified retirement plans.

Sara contributes her full \$20,000 bonus to us in exchange for a lifetime of annual payments, and she defers the start of those payments for ten years, until she is 65. Because of the deferral, she will receive a payment rate that is more than 2% higher than it would have been for an immediate annuity. The gift also qualifies for a charitable deduction—a higher deduction than she would have received if payments had begun immediately.\*

With a deferred gift annuity, Sara qualifies for an income tax charitable deduction now, makes a substantial gift that supports our mission, and supplements her future retirement.

\* All examples are for illustrative purposes. Contact us for current rates and tax information.

## Transitions from Career to Retirement

The transition from work to retirement comes with its own specific planning challenges. Charitable giving can play a role here, too, by helping donors realize personal objectives while making a difference for others.

### Leveraging a Large Sum Into a Lifetime Income

Reaching retirement is a milestone that often brings with it the worry of outliving savings. Luckily, there are tools available for those who are interested in sharing their wealth but also need to ensure a lifetime income.

**EXAMPLE:** At 68, Marcus is financially secure, and about to retire and sell his share of a successful advertising firm for \$800,000. Single, with grown children who are all doing well for themselves, his number one concern is the risk of outliving his assets. Marcus recognizes that the buyout of his business

interest presents a unique opportunity to provide himself with a predictable retirement income while fulfilling his desire to support our work.

Marcus read up on his options and learned that a charitable remainder trust (CRT) would allow him to make a gift to us and begin receiving income from that gift either now or later. No matter when the income payments began, he would qualify for a current income tax deduction. He also found that he could choose how the trust income was determined—a fixed payment amount each year or a payment that fluctuated annually based on the value of the trust assets. Then, when his payments came to an end, the remaining trust assets would be paid to us to further our charitable mission.

Ultimately, Marcus used \$300,000 of his buyout to set up a charitable remainder trust with a fixed payment rate. He chose to have payments begin immediately, and his gift qualifies for an income tax deduction this year. Marcus is pleased that this unique planning option lets him give back while securing a steady income stream for his retirement years.

### **Turning Appreciated Stock Into an Appreciated Gift**

Retirement is a time for shifting assets, usually with a more conservative focus on stable income streams. Careful planning can help lessen or avoid the negative tax consequences that often accompany these changes in asset holdings.

**EXAMPLE:** Bob and Mary (both 70 and recently retired) meet with their financial planner to discuss their goals and investments. They are especially concerned about a volatile technology stock they purchased years ago for \$10,000, now worth \$50,000. They would rather not own this high-risk asset at this point in their lives, but they don't really want to sell it and pay the \$6,000 (15%) capital gains tax to Uncle Sam.

Their advisor suggests donating the stock and establishing a charitable gift annuity. Bob and Mary make a gift to us and, in return, we agree to make payments to both of them for life. Their gift of appreciated stock is part gift and part annuity. This arrangement provides them with several advantages:

- They avoid paying some of the capital gains tax—the part that is considered a charitable gift is not taxable, and the taxable part of the gain is spread out over their life expectancies.
- The gift portion qualifies for an income tax deduction.
- They will receive fixed annuity income each year for as long as either of them lives.

The charitable gift annuity is an attractive way to balance an investment portfolio, convert an appreciated asset into an income-producing gift annuity and qualify for a significant tax deduction. Bob and Mary helped us and helped themselves.

## Living Happily Ever After

The “happily ever after” stage of retirement is when you realize your plan has succeeded and you have additional flexibility regarding charitable giving. Those who are enjoying this life stage have unique opportunities to play a role in shaping the future with a planned gift.

### Transforming a Vacation Home into Deductions and Income

Many people have a vacation home or other property they no longer use, or that has become too much of a burden in the retirement years. But there’s a powerful alternative to simply selling the property and paying any capital gains tax...

**EXAMPLE:** Larry and Vicki have owned and enjoyed a vacation home over many summers, holidays and family gatherings. Now, their children are grown and live elsewhere, and Larry and Vicki are no longer interested in spending time there or paying maintenance costs and taxes. They would much rather be traveling. When we suggested they think about a charitable remainder unitrust (CRUT), they were excited about investigating a gift plan that would allow them to convert their vacation home into a welcome income stream.

They also like the idea that they can donate the property and avoid the inconveniences of contracting with a realtor, undergoing cosmetic updates, and scheduling tiresome showings. They will receive payments from the trust for life, and they have the personal satisfaction of knowing that when they die, their gift will have a substantial impact on their favorite programs.

Their vacation home has no mortgage and is valued at \$200,000. Their attorney helps them establish a CRUT and donate the house. Annual payments begin equal to 5% of the value of trust assets, so they receive \$10,000 the first year, bringing the trust value down to \$190,000. If the trust investments increase \$20,000 in the next year, the trust will be worth \$210,000 at the start of year two, giving Larry and Vicki a payment of \$10,500 ( $\$210,000 \times 5\%$ ) in the second year.



## Your Personal Strategy

Thank you for your thoughtful consideration of our mission. We can help you find rewarding retirement planning strategies with unique combinations of tax savings, steady retirement income, and personal satisfaction. You can implement many of these strategies with the help of our experienced professional staff members, who are committed to supporting your retirement planning objectives and philanthropic goals. Please take a moment to contact us by phone or email. As always, we value your support and look forward to working with you in the future.