

Creative Ways to Support

“It’s a Wonderful Church Capital Campaign”

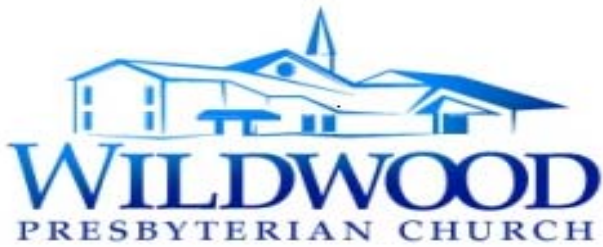
Presented by Jarrett Banwart & Paul Bernardoni

This presentation is meant to be a summary of optional ways to give to the campaign. This is not meant to be a substitute for careful, individual tax planning and you are urged to contact your own legal and tax advisors.



Reach Up, Reach In, Reach Out...

- Reach UP
 - worship the living God
- Reach IN
 - grow spiritually
- Reach OUT
 - share God's love with a world in *need*



Our Church Needs

- Wildwood Presbyterian Church is a Wonderful Church and there are *needs* for it also
- Your participation is vital for continued growth UP, IN and OUT
- We are here to offer suggestions on ways to maximize your gift and minimize your taxes in the process



Gifts of Assets - Many Different Forms

- Cash
- Certificates of Deposit
- Appreciated Securities (Stocks, Bonds, Mutual Funds)
- Real Estate
- Life Insurance Policies
- Tangible Personal Property
- IRA's
- Others

A close-up photograph of a stained glass window with several colorful panes in shades of blue, yellow, red, and green, separated by dark leaded glass lines.

Gifts of CASH

- Easiest asset to give-usually by writing a check
- No difficulty valuing the gift
- Must follow IRS guidelines for gift substantiation
- Gifts of cash deductible only to 50% of donor's AGI in year of gift-carry forward available for five additional tax years



Gifts of CERTIFICATE of DEPOSIT

- Give (assign) certificate to the Church
 - Church receives interest until maturity
 - Church receives principal at maturity
 - Avoids penalty for early withdrawal
- You receive tax deduction for fair value of CD at date of gift
 - Principal plus accrued unpaid interest



Gifts of IRA MANDATORY WITHDRAWAL

- At age 70 ½ you must withdraw a portion of your IRA.
- Taxes are due both at the State and Federal Level.
- Gift the church with this withdrawal
- Tax neutral transaction
- Large gift to the church.



Gifts of IRA MANDATORY WITHDRAWAL

Mandatory Withdrawal	\$20,000
Taxes @ 25%	<u>\$ 5,000</u>
<u>Net to You</u>	\$15,000
Amount to Church	<u>\$20,000</u>
Net Tax Benefit (@25% tax rate)	\$ 5,000

Tax neutral event.



Gifts of APPRECIATED ASSETS

- Capital Gain Assets Examples:
 - Stocks
 - Publicly traded
 - Closely held (C corp. best)
 - Mutual Funds
 - Bonds (not U.S. Savings Bonds)
- Must be held more than one year to deduct Fair Market Value. Otherwise, can only deduct donor's cost basis

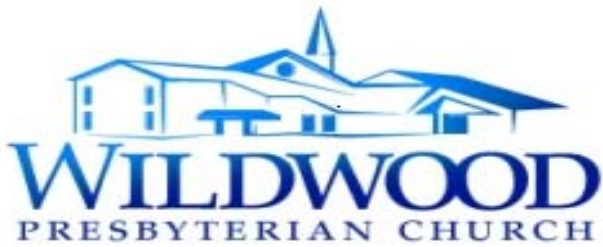


SELL First or GIVE First?

	<u>Sell 1st</u>	<u>Give 1st</u>
Value of Securities	\$20,000	\$20,000
Cost Basis	\$10,000	\$10,000
Tax on Gain at Sale (15%)	\$ 1,500	\$ -0-
<u>Amount to Church</u>	<u>\$18,500</u>	<u>\$20,000</u>
Net Tax Benefit	\$ 3,125	\$ 5,000

(@25% tax rate)

IRS gets \$1,875 more if you sell first.



Do you own any SECURITIES AT A LOSS?

Consider selling stock that has declined in value & donating proceeds

Tax Savings @ 25%*

Stock Purchase Price	\$10,000
Current Market Value	<u>\$ 6,000</u>

Loss, if Sold	<u>\$ 4,000</u>
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Sell and Donate Proceeds:

Loss on Sale	\$ 4,000	\$ 1,000
Charitable Contribution	\$ 6,000	<u>\$ 1,500</u>

TOTAL TAX SAVINGS		<u>\$ 2,500</u>
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Note: "Loss on Sale" only deductible against ordinary income for up to \$3,000 per year with unlimited carry forward available

* Your tax rate may be more or less depending upon your level of taxable income.



Gifts of REAL ESTATE

- Examples: vacant land, improved real estate, farm land
- Same principles apply as in the case of securities
 - Donate appreciated property
 - Sell property which has declined in value from adjusted cost basis and donate proceeds



Gifts of INSURANCE POLICIES

- Is there a policy no longer needed for protection?
 - Give policy now to the Church
 - Income tax deduction will depend upon:
 - Type of policy
 - Cost basis in policy
 - Substantiation-IRS form 8283 and an appraisal may be required depending on value of gift
 - IRS form 712 obtained from Insurance Company may be helpful



Gifts of TANAGIBLE PERSONAL PROPERTY

- Examples: jewelry, collectibles, antiques, collections (coins, stamps), vehicles, etc.
- Normally, donor's deduction limited to the lower of cost or value
- Church provides receipt of gift with description-donor responsible to value gift



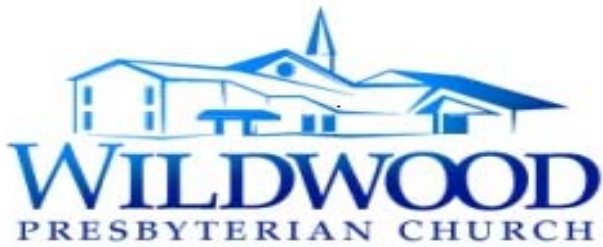
Other Creative Sources of POTENTIAL GIFTS

- Inheritance
- Income Tax Refund
- Bonds
- Gifts Through Your Business
- Crops/Farm Land
- AVOID: Retirement Plan Assets (IRA, 401K)



Odds and Ends

- Check for matching gifts through your employer
- “Bunch” your deductions-may help non-itemizers



Appendix

Following are more complex transactions, that may be of interest to some. If any of these strategies seem to apply, you should arrange a meeting with your tax professional to further explore.



Consider Establishing a Donor Advised Fund

- Especially helpful if
 - Have highly appreciated substantial asset (real estate or closely held C corporation)
 - Want to gift entire asset, but not to just one charity
 - Want to make current gift to church capital campaign with part of asset
 - Not yet certain of other charitable beneficiaries



Donor Advised Fund Allows

- Gift entire asset now
- Receive immediate charitable income tax deduction for entire amount gifted
- Advise fund to transfer church gift portion immediately (or progressively over 3 years)
- Advise fund to make gifts to other charities in the future
- Limited paperwork for transfer, low/no-cost



But I Can't Afford to Give THAT Much Now!!

- Solution: Bargain Sale
- Assume \$200,000 fair market value with \$80,000 cost basis

	SALE	GIFT	TOTAL
Fair market value of stock	\$80,000	\$120,000	\$200,000
Allocated basis:	40%	60%	100%
Percent money	\$32,000	\$48,000	\$80,000
Gain	\$48,000	\$72,000*	\$120,000

* Not taxable



Impact of Bargain Sale

Sell & Give \$120,000 Cash vs. Bargain Sale

	Sell & Gift Cash	Bargain Sale
• Sales proceeds	\$200,000	\$ 80,000
• Tax basis	<u>\$ 80,000</u>	<u>\$ 32,000</u>
• Capital gain recognized	\$120,000	\$ 48,000
• Contribution reduction	\$120,000	\$120,000
• Cash to donor:		
• Sales proceeds kept	\$ 80,000	\$ 80,000
• Tax benefit of a gift at 25%	\$ 30,000	\$30,000
• Tax on capital gains @ 15%	<u>\$-18,000</u>	<u>\$- 7,200</u>
• Net cash realized	\$ 92,000	\$102,800



More Creative Giving Options

- Gift Plus Life Insurance Trust
- Personal Gift with Corporate Dollars
- Giving a Gift that You Get Back
- Giving a Gift that Ultimately Gets to Your Family
- Gift with Retained Income



Challenge #1

- Own Growth Property or Stock
- Desire Tax Deduction
- Willing to Make Gift to Church Capital Campaign
- Desire Inheritance for Family



Solution #1

- Charitable Gift Plus Trust
 - Income tax savings
 - Life insurance trust
 - Double tax-free to Family (income and estate tax-free)
 - Works best if donor is insurable and young enough that premiums on life insurance can be paid with the tax savings from the charitable contribution



Challenge #2

- Own Personal Company Stock
- Desire Personal Income Tax Deduction
- Corporation has Profits/Retained Earnings
- Want to Make Gift to Church Capital Campaign



Solution #2

- Gift Stock to Church and have Corporation Buy Back Shares (Corporation buy back can be “pre-planned”, but can’t be a “pre-arranged” or “binding” deal)
 - Bypass capital gain on gifted shares
 - Receive personal income tax deduction
 - Receive personal deduction with corporate dollars



Challenge #3

- Have Unusually High Income Year
- Need Income Tax Deduction
- Have Cash or Municipal Bonds
- Willing to Give Up Income (for fixed number of years)



Solution #3

- Consider a Grantor Lead Trust
 - Immediate income tax deduction for the present value of the *income stream* to the Church
 - Trust *income* paid to Church (for fixed term of years)
 - Asset returned to Donor (at end of term)
 - Receive both a tax deduction now and return of principal later



Challenge #4

- Own Growth and Income Property
- Desire to Give to Family
- Want to Save Gift Taxes
- Desire to Make Gift to Church Capital Campaign



Solution #4

- Consider a Family Lead Trust
 - Receive gift tax deduction for the present value of the income stream to the Church
 - Income to Church (for fixed term of years)
 - Asset returned to the Family at a later date (with Growth, if income stream to the Church is less than the income stream to the trust)