WHY SHOULD I LEAVE A LEGACY GIFT?

While we love to see the impact of our gifts in the here and now, no one knows what the future may hold in terms of life expectancy, health care costs, family needs, or financial events. A legacy gift provides support to the causes you care about for future generations and can make a lasting difference. Here are some options that may enable you to do more than you thought possible.

BEQUEST

The simplest way to leave a planned gift to benefit your community is to make a bequest including specific language in your will or living trust naming the Community Foundation of Anne Arundel County (CFAAC) as the recipient of a testamentary gift. This can be a specific dollar amount, a percentage of your estate, or what remains after other bequests (including those to family members) are made.

Consider using your planned gift to establish an endowed fund at CFAAC and support your favorite causes for years to come. If you choose, the bequest can flow into a Donor Advised Fund for your children to carry on your family's philanthropy.

CHARITABLE REMAINDER TRUST

By creating a Charitable Remainder Trust (CRT), you receive an immediate tax deduction and lifetime income for you or your named beneficiary. You also reduce or avoid capital gains taxes associated with the gifted asset. After death or the end of a specified trust term (up to 20 years), the remainder of the trust transfers to the fund(s) you have designated at CFAAC. Grants from the fund(s) will be made in accordance with your interests. These trusts can be useful to your overall planning if you own appreciated assets that have increased in value but earn little income. Once the assets are placed in the trust, they can be sold and reinvested free of capital gains tax.

CHARITABLE LEAD TRUST

When you create a Charitable Lead Trust (CLT), the CLT makes regular income tax deductible gifts to CFAAC as the income beneficiary. When the trust terminates, the principal is returned to you or distributed to your children or other designated beneficiaries. The trust's assets pass to the recipients at reduced tax cost, sometimes even tax-free. You can establish a CLT during your lifetime or through your will. A CLT shelters investment earnings from taxes and offers gift, estate, and generation-skipping tax benefits (e.g., trust assets are removed from your estate for tax purposes). A CLT may be advisable when you wish to reduce your estate tax or delay your heirs' receipt of an inheritance.

RETAINED LIFE ESTATES

Like many people, your major asset may be your home. You may irrevocably transfer the ownership of a home, farm, or vacation home to CFAAC and retain the right to occupy it during your life. You claim a charitable deduction in the year of the gift, with carryover privileges for up to five additional years. When the life tenancy ends, CFAAC becomes the property owner. Proceeds from the property's sale can go into a fund at CFAAC or will be distributed to nonprofit organizations which you specify.

LIFE INSURANCE

A paid-up existing life insurance policy may be donated by designating CFAAC as owner and beneficiary. You may also gift a life insurance policy to us that is not fully paid up and continue paying the annual premiums. These gifts provide you with a current charitable income tax deduction and may also reduce your estate tax, since the policy's value is removed from your estate. You can also name CFAAC as a beneficiary or contingent beneficiary of any insurance policy's death benefit. If one or more of the primary beneficiaries predecease you, their share can go directly into a fund you open with us. This allows you to remove an unneeded asset from your estate without affecting your income.

RETIREMENT FUND PLANS

Naming CFAAC as a beneficiary of your retirement funds, such as an IRA, 401(k) or 403(b), is an effective way to help your community while avoiding significant, often unanticipated tax penalties. Your retirement plan is tax-deferred only until death. The remainder of these assets is subject to multiple taxes when included in your estate, possibly resulting in a tax rate of 50 percent or more. Donating retirement accounts can reduce or eliminate these taxes completely and make a significant impact on your community. Donating retirement plan assets to charity from your estate is advantageous because these are often heavily taxed if left to heirs. No estate tax is due on the retirement plan assets that are gifted to CFAAC. The only document required is a Change of Beneficiary form, available from your plan's administrator.

REAL ESTATE

We accept gifts of a house or other personal residence, farm, commercial buildings, and income-producing or non-income-producing land. A gift of real estate that you own for more than a year entitles you to the same federal tax deduction that applies to gifts of securities (for the property's fair market value) while allowing you to avoid paying capital gains tax.

POOLED INCOME FUNDS

All Pooled Income Fund gifts to CFAAC must be endowed but can benefit the nonprofits you choose. If you are interested in the tax-saving benefits of a charitable trust, but also want to minimize investment risk and investment overhead costs, consider a Pooled Income Fund gift. Your gift is combined with those from other community members to create a common investment portfolio which operates much like a mutual fund. Funds are invested and 100% of the net income is distributed in proportionate shares to you, or to those whom you designate. Your gift to our Pooled Income Fund creates life income for you and an immediate income tax deduction for a portion of the gift. You also avoid capital gains tax on any gift of an appreciated asset. Finally, even though you receive income for life, the gift is not subject to estate tax.

FOR MORE INFORMATION TO DISCUSS CHARITABLE GIFT PLANNING POSSIBILITIES, CONTACT JOHN RODENHAUSEN, DIRECTOR OF GIFT PLANNING

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