

Did You Know?

Smart Ways to Plan For the Rest of Your Life

ASHP Foundation Wisdom Society
Minneapolis, MN June 6, 2017

A Word to the Wise:

“From birth to age 18, a girl needs good parents.

From 18 to 35, a girl needs good looks.

From 35 to 55, a girl needs a good personality.

And from 55 on, a girl needs cash.”

-- Sophie Tucker

- ▶ Getting the cash and holding onto the cash, involves ...work and **PLANNING.**
- ▶ Deciding what to do with it involves ...
ESTATE PLANNING.

And It Doesn't Hurt . . .

► To Know a Few Tricks



Your Plan:

- ▶ Know what you have.
- ▶ Know what you need.
- ▶ Know smart strategies.
- ▶ Take care of family and friends.
- ▶ Leave a legacy.

HELP!

What will it cost?

**I don't understand
all this paperwork.**

Whom can I trust?

What if I run out of money?



**Who will make
decisions for me?**

How much is enough?

Other Than Direct Your Estate, What Else Can Your Will Do?

- ▶ Provide instruction for care of minor or disabled family members.
- ▶ Decide when and how family members will receive inheritances.
- ▶ Provide burial or funeral instructions.
- ▶ It does not cover everything you own:
 - ▶ Joint tenancy.
 - ▶ Beneficiary designations.

The Best of Intentions ...

- ▶ Mother has a home worth \$100,000 and bank accounts worth \$900,000. Her will says Son and Daughter each receive 50% of the estate. Mother needs help in with her affairs and makes Daughter joint owner of the accounts. Mother dies.
- ▶ Daughter gets \$900,000 by beneficiary designation; Daughter and Son split proceeds from sale of home 50/50 per will, \$50,000 each.
- ▶ Son ends up with \$50,000 per will and Daughter with \$950,000, per will and beneficiary designation.

Trick #1

- ▶ Be a smart giver - don't use cash, use appreciated stock.

Selling vs. Giving

- ▶ \$100,000 Sale
 - ▶ - \$1,000 (basis)
 - ▶ \$ 99,000 capital gain
 - ▶ -\$19,800 tax or more
 - ▶ \$81,200 Net to you
 - ▶ Tax deduction: \$81,200
- ▶ \$100,000 Gift
 - ▶ Zero Tax
 - ▶ Tax deduction:
\$100,000
 - ▶ Could save up to \$42,000 tax
on other income.

Trick #2 - Avoid an Income Tax Surprise

- ▶ Unlike most inherited assets, some assets are subject to income tax whenever or by whomever they are withdrawn.
- ▶ They may also be subject to estate tax and generation-skipping tax.

What Is “Income in Respect of a Decedent” (IRD)?

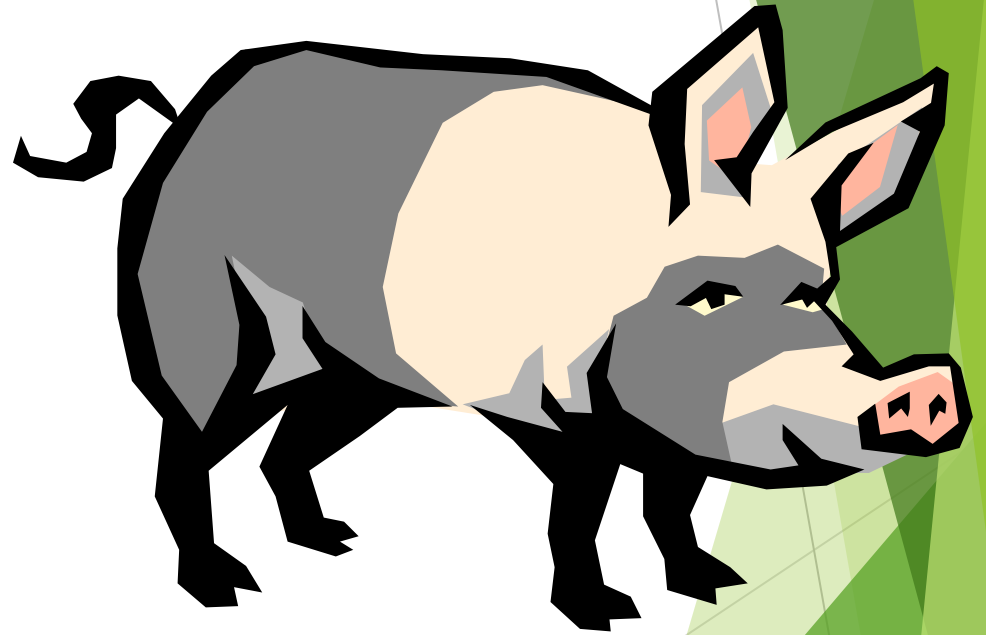
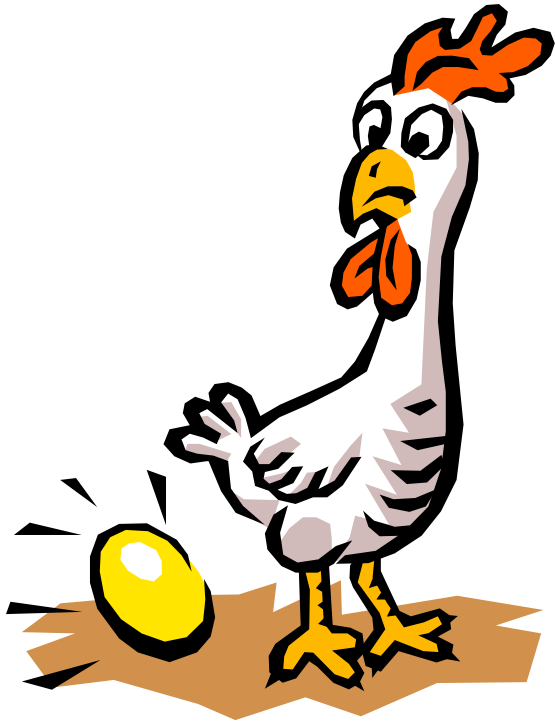
- ▶ IRAs, qualified retirement plan assets, installment sales payments, deferred compensation, stock options, series E or EE bonds, and almost anything that has not yet been taxed.
- ▶ Save other assets for gifts to individuals – use IRD assets for charitable giving.

IRD vs. Other Assets

- ▶ To Children:
 - ▶ \$100,000 IRD
 - ▶ - 42,000 Income tax
 - ▶ - 40,000 Estate tax
 - ▶ \$18,000 Net to family.
 - ▶ (Also possibly subject to GST tax at 40% and state income tax.)
- ▶ To Charity:
 - ▶ \$100,000 IRD
 - ▶ -0 Income tax
 - ▶ -0 Estate tax
 - ▶ \$100,000 Net to charity.

Trick #3 - Planned Giving

- ▶ HINT: It's not just for the charity



Why Do People Make Planned Gifts?

- ▶ First and foremost, to benefit a charity.
- ▶ Immediate and future tax benefits.
- ▶ Bypass of capital gain.
- ▶ Increase cash flow.
- ▶ Alternative to major outright gift.
- ▶ An “ultimate gift” .

Most Common Planned Gifts

- ▶ Charitable bequest.
- ▶ Charitable gift annuity.
- ▶ Charitable remainder trust.

Why Make a Gift in my Will or Revocable Trust?

- ▶ I don't give away money I might need later.
- ▶ I can change my mind.
- ▶ I can make a significant gift that will really make a difference.
- ▶ It's easier than most people think.

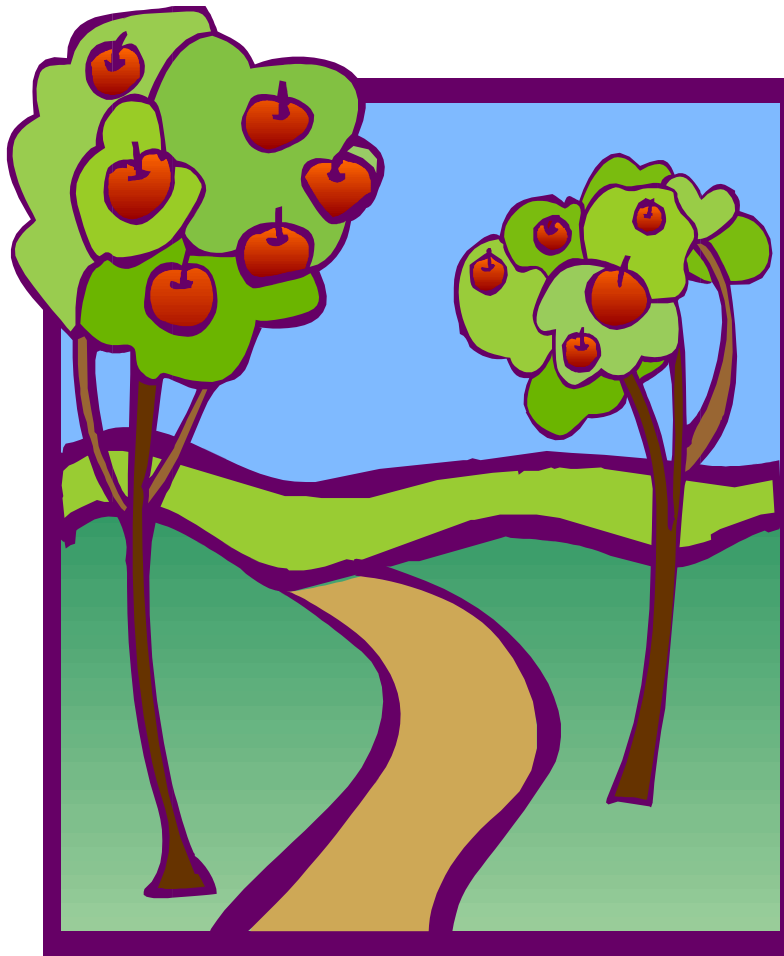
Can I Give Without a Will?

- ▶ Name a family member or charity as beneficiary of a retirement account or IRA.
- ▶ Name a beneficiary of life insurance, or give the policy outright.
- ▶ Make a bank or securities account payable on death “POD” or transferable on death “TOD” .
- ▶ Be very specific - charities have similar names, and serve different regions.

Trick #4 - Split Off Income from Principal

- ▶ Give your cake and eat it, too!

Split Income Gifts



Next Level Giving, Inc.



Can I Get a Tax Deduction Now for a Deferred Gift?

- ▶ Make an irrevocable gift that still gives you or ones you love a life income.
- ▶ Use a charitable trust to provide support for someone else AND get a charitable deduction.
- ▶ Use a charitable trust as a substitute for a marital deduction in non-traditional families.

About Split Income Gifts (also known as Life Income Gifts)

- ▶ Sometimes “illiquid” assets (ones that don’t provide an income for you or are hard to sell) can be converted into a life income.
- ▶ You can defer or avoid capital gains tax.
- ▶ You can diversify your investments without paying tax up front.

Giving Non-liquid Assets.

- ▶ Your home.
- ▶ A farm or commercial real estate.
- ▶ Closely held stock.
- ▶ Sell a business.



Real estate for life income gifts

- ▶ Give your residence or farm.
- ▶ Receive an immediate income tax deduction.
- ▶ Receive a stream of payments for a term of years or for lifetime(s).
- ▶ Ultimately benefit your favorite charities.

Charitable Gift Annuity - The Simplest Split Gift

- ▶ Charitable gift annuity - provides a fixed annuity to one or two persons for life.
- ▶ Backed by the assets of the charity that issues it, not just the assets you give to the charity.
- ▶ Start of payments can be deferred.

A Sample Gift Annuity Calculation:

- ▶ Two donors, aged 80 and 75.
- ▶ Initial gift - \$50,000
- ▶ Annuity rate: 5.90% (\$2,950/year).
- ▶ Partial charitable deduction.
- ▶ Part of annuity may be capital gains or tax-free income.



Sample Gift Annuity Rates:

- ▶ Age 60 - 4.8%
- ▶ Age 76 - 6.6%
- ▶ Age 90 - 9.8%
- ▶ Ages 55 and 60 - 4.1%
- ▶ Ages 75 and 80 - 5.9%
- ▶ Ages 90 and 85 - 9.6%
- ▶ Rates effective 7/31/17

Charitable Remainder Unitrust

- ▶ Assets held by a Trustee.
- ▶ Provides a set percentage of the value of assets in the trust each year to any number of persons for life or for a term of years.
- ▶ Partial tax deduction and tax avoidance.
- ▶ What is left goes to charity.

However You Do It, Leave a Legacy.



- ▶ The way you have lived, and your stories, leave a legacy of their own.
- ▶ Give your time, your skills, your knowledge, your stories, and your enthusiasm, as well as your money.

However You Do It, Leave a Legacy.

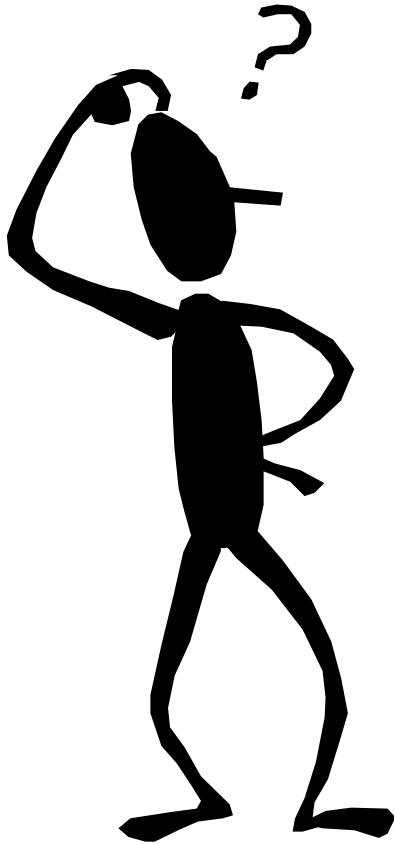


- ▶ A way to give back, and to give forward.
- ▶ A way to provide for the future - for your own descendants and the entire community - and to make the world a better place.

What's the Next Step?

- ▶ What do you want to accomplish?
- ▶ When do you want to give?
- ▶ Do you want to retain a life income?
- ▶ Which assets do you want to use?
- ▶ For whom do you want to provide?
- ▶ Weigh all the options and make a decision that is best for you.
- ▶ Be smart - talk to your professional advisor.

???Any Questions???



Mary Ellis Peterson
Next Level Giving, Inc.
www.nextlevelgiving.net
612-240-5490