

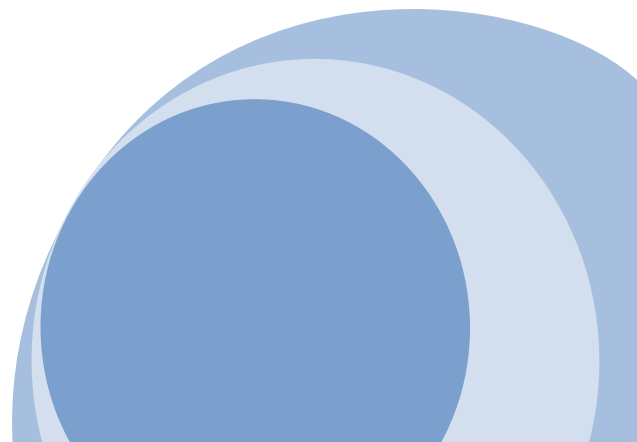
The Permanent Fund

Ways to make The Rotary Foundation a part of your legacy planning today and to be a part of it forever



Wills, IRAs, Cash, Life Insurance, Stock, Real Estate, Your Business, Charitable Remainder Trusts, Donor-Advised Fund,

Bronwyn L Martin
District 7450 Chair Permanent Fund
610-453-7215
district7450.bronwyn@gmail.com





The Rotary Foundation's endowment fund, the Permanent Fund, already helps support Rotary Foundation programs that advance our mission of *'doing good in the world'*. The Permanent Fund enables individuals to combine their gifts into a significant force to address the world's greatest needs for generations to come.

Did you know that with one gift you can ...

- ❖ Make a major gift to support Rotary Foundation programs
- ❖ Receive immediate tax benefits
- ❖ Reduce capital gains tax on gifts of appreciated property
- ❖ Receive lifetime income for you or others
- ❖ Not cost you anything today

There are no age or income limitations or restrictions to becoming a benefactor or bequest society member.

You do not have to contribute any money at any time *while* alive to the Permanent Fund to become a benefactor or bequest society member. (There is *always* the option to contribute now net assets).

The goal is that by 2025 we will have \$1,000,000,000 for Rotary projects around the world funded by the *interest* generated from this principal in the Permanent Fund. Spendable earnings from this endowed fund enable TRF to expand existing programs and underwrite new programs.

Make an outright bequest in your will

The easiest and most direct way to make a charitable gift is by an outright bequest of cash in your will. Making an outright bequest requires only a short paragraph in your will that names the The Rotary Foundation as your beneficiary and states the amount of your gift. The outright bequest is especially appropriate when the amount of your gift is relatively small, or when you want the funds to go to The Rotary Foundation without strings attached.

General Bequest: a certain percentage or portion of the estate: *I give to TRF of Rotary International one-fourth of my property.*

Specific Bequest: give a specific piece of property: *I give to TRF of Rotary International 300 shares of my XYZ stock.*

Residual Bequest: designate all or a portion of whatever remains after all debt, taxes, expenses, and other bequests have been paid: *I give 50% of the rest, residue, and remainder of my estate to TRF of Rotary International*

Retirement Plans

Generally, one names their spouse as the primary beneficiary. One possible downside to naming your spouse as the primary beneficiary is that it will increase the size of your spouse's estate for death tax purposes. That's because at your death, your spouse can inherit an unlimited amount of assets and



defer federal death tax until both of you are deceased (note: special tax rules and requirements apply for a surviving spouse who is not a U.S. citizen). However, this may result in death tax or increased death tax when your spouse dies.

If you have funds in an IRA or employer-sponsored retirement plan, you can name The Rotary Foundation as a beneficiary. Naming The Rotary Foundation as beneficiary can provide double tax savings. First, the charitable gift will be deductible for estate tax purposes. Second, The Rotary Foundation will not have to pay any income tax on the funds it receives. This double benefit can save combined taxes that otherwise could eat up a substantial portion of your retirement account.

You can name more than one beneficiary to share in the proceeds i.e.: spouse/significant other and The Rotary Foundation. You just need to specify the percentage each beneficiary will receive (the shares do not have to be equal). You should also state who will receive the proceeds should a beneficiary not survive you i.e. nephew and The Rotary Foundation or simply 100% The Rotary Foundation.

No matter where you live, federal law dictates that your surviving spouse be the primary beneficiary of your 401(k) plan/retirement plan/IRA benefit unless your spouse signs a timely, effective written waiver.

Let's do an exercise together that requires just some simple math:

Please add up all your qualified plan dollars (401k, 403b, TSP, IRA, Roth IRA, SEP, SRA, etc). What does that come to? Let's say you're young, around 30, and this adds up to \$100,000 right now. 10% *at your death* to TRF is \$10,000. This *intention* qualifies you *now* as a Bequest Society Member.

Let's say you're a bit older, say 50 and your qualified plan dollars adds up to \$500,000 right now. 2% *at your death* to TRF is \$10,000. That still means that your spouse/significant other gets 98% *at your death*. This *intention* qualifies you *now* as a Bequest Society Member.

20% of your \$500,000 qualified dollars *at your death* is \$25,000. This *intention* qualifies you *now* as a Bequest Society Member and a PHF in perpetuity! (4% of \$25,000 is \$1,000/year)

Write down the value of your qualified dollars: _____

Life Insurance

Giving life insurance to a charity may allow you to make a larger gift than you otherwise could afford. Further, the government encourages charitable giving by providing tax advantages for certain charitable donations (gifting to a qualified charity such as The Rotary Foundation). This means that both you and The Rotary Foundation could benefit from your donation (though some charities may not accept a gift of life insurance for various reasons).

Typically, a donor makes The Rotary Foundation the owner *and* beneficiary of some type of permanent life insurance policy. But, there are many ways of structuring a charitable gift involving life insurance, and one alternative may better suit your needs and those of the charity than others.



3 types of ways to give more for a little:

- Name The Rotary Foundation as beneficiary of proceeds
- Donate an existing life insurance policy to The Rotary Foundation
- Donate a new policy to The Rotary Foundation

Write down the face value of your life insurance policies (group and individual):

Consider making TRF a percentage of your primary beneficiary at the \$10,000 or greater level so that you become a Bequest Society Member. You can change the beneficiaries at any time.

Cash

Make your check payable to The Rotary Foundation and mail to RI

The Rotary Foundation
14280 Collections Center Drive
Chicago, IL 60693
USA

Or you can donate directly through rotary.org > log in through member access > make a contribution > permanent fund

Stock

A large stock holding can come about in many different ways, and your approach to managing it may depend in part on how you arrived at it. For example, you may have:

- Inherited a large holding
- Exercised options to buy your company's stock
- Sold a private business, or founded a company that subsequently went public
- Benefited from price appreciation or repeated stock splits over the years
- Accumulated restricted or common stock as part of your compensation

Contributing appreciated securities to The Rotary Foundation may benefit you in two ways:

- You may avoid paying capital gains taxes
- You may receive a charitable tax deduction

Write down the value of all non-qualified assets (investments (stocks, bonds, mutual funds, ETFs, MLPs, etc outside of your retirement funds): _____



Real estate

Making a gift of real estate to The Rotary Foundation may afford you financial benefits. Consult your financial adviser about your personal circumstances.

To initiate the process, you must obtain an independent qualified appraisal of the property. The property's value should be at least \$100,000 (or \$25,000 for undeveloped land) if you wish to make an outright gift to the Foundation. If you're interested in funding a charitable remainder trust, the property should be worth at least \$100,000.

Write down the value of your real estate (net): _____

Charitable Gift Annuities/Charitable Trusts (CRT)

Have you ever thought about making a contribution to The Rotary Foundation during your lifetime but were concerned about outliving your resources, meeting family obligations, or preparing for retirement? With careful planning, it's possible to enjoy the advantages of a life income gift and turn appreciated assets into an income for yourself or others. Life income agreements are one way to make a significant charitable contribution during your lifetime while furthering your financial plans and security.

Benefits

- Annual payments for you or another beneficiary
- Immediate federal income tax deduction
- Potential estate tax savings
- Increased income from low-yield assets
- Avoidance or reduction of capital gains taxes on gifts of appreciated assets
- Opportunity to be recognized as a Major Donor to The Rotary Foundation
- Satisfaction in knowing that your contribution will make a difference in many lives
- In exchange for your gift of cash or marketable securities to the Foundation, you (and another beneficiary or a survivor) receive guaranteed fixed payments for life.
- Under the terms of a charitable gift annuity agreement, you make a gift of cash or publicly traded securities and, in return, collect regular payments for life that never change in size or frequency, regardless of changes in the economy. Payments to you (and another beneficiary, if you wish) are backed by the Foundation's available assets. The number of annuitants and their ages determine the payout rate.
- The Rotary Foundation's Permanent Fund receives the charitable portion of the gift upon the death of the last annuitant. Donors interested in the stability of fixed payments tend to favor this type of life income agreement.

Examples:



Grantor is an 80-year-old widow with no heirs who owns property with a net fair market value of \$1 million, most of which is real estate with a cost basis of \$250,000. Grantor is in relatively good health, and is planning to move to an assisted living facility. If grantor sold her property, income tax would be due on the gain at a 15% tax rate.

Instead, grantor creates CRT, naming the Rotary Foundation as the charitable beneficiary, as follows:

- ◇ Trust Term: 20 years
- ◇ Funding Amount: \$1 million
- ◇ Growth of Trust: 5.5%
- ◇ Annuity Payout Rate: 5%
- ◇ IRS Discount Rate: 4.8%
- ◇ Annual Amount to Grantor: \$50,000 Paid Quarterly
- ◇ Gift to Charity: \$1,138,384
- ◇ Income Tax Deduction: \$354,903

Grantors are a married couple, both aged 55, with high-paying jobs who are concerned about conservation. Grantors own marketable securities that cost them \$50,000 which are currently worth \$200,000. They would like to reduce their income taxes and make a gift to The Rotary Foundation. If they sold the securities, income taxes on the gain would be \$22,500. They create a CRT instead, as follows:

- ◇ Trust Term: 20 years
- ◇ Funding Amount: \$200,000
- ◇ Growth of Trust: 5.5%
- ◇ Percentage Payout Rate: 5%
- ◇ IRS Discount Rate: 4.8%
- ◇ Annual Amount to Grantors: \$10,000 Paid Semi-Annually
- ◇ Gift to Charity: \$212,084
- ◇ Income Tax Deduction: \$72,590

Advantages

CRTs let grantors:

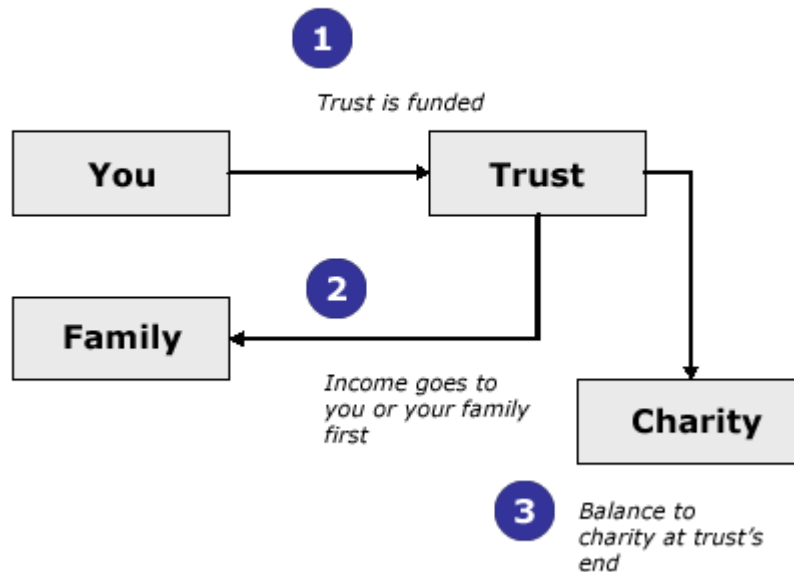
- Give to charity
- Receive income for life or term of years
- Receive immediate income tax deductions
- Reduce or eliminate capital gains, gift, and estate taxes
- Enjoy freedom from investment management decisions and duties

Disadvantages

- Transfers are irrevocable
- Terms of the trust are unchangeable (though assets and charitable beneficiaries may change)
- Assets that pass to charity do not pass to heirs



How a Charitable Remainder Trust Works



Donor-Advised Fund

The Rotary Foundation donor advised fund is a convenient way to simplify your charitable giving and take advantage of tax savings at the same time. A donor advised fund account is similar to an investment account earmarked exclusively for charitable giving. It allows you to make contributions and grant recommendations to the Foundation at your convenience: you the donor advise The Rotary Foundation on distributions to be made from the fund. In many ways, it's like having your own foundation to support your favorite causes, but without the hassles and paperwork. An account may be established by individuals or Rotary-affiliated groups. Minimum is \$20,000 donation.

Benefits

Donor advised fund accounts offer these benefits:

- Support to The Rotary Foundation and other preferred charities
- Immediate tax benefits
- Professional asset management
- Flexibility to make grant recommendations suited to your timetable
- Easy record-keeping and tax reporting
- Bequest Society membership for individual donor advised fund account holders
- No start-up fees



Total value of life insurance + (net) real estate + qualified monies + non-qualified assets:

\$10,000 is what percent of the total?

Why would you want to give away your business?

Sometimes better to gift than sell due to tax law

There may be personal (nontax) reasons why you would want to gift some or all of your business interests. There is also a good reason built into the tax code. Gifting some or all of your business interest allows you to reduce or remove the value of your business from your estate, which could mean lower estate taxes that may be due at your death. Not only is the value of your gift removed from your estate, but also any gift taxes you paid when making the gift. If you sold part or all of your business during your lifetime, you might be subject to capital gains tax. If your estate sells your business soon after your death, the sale price may determine the value of the business included in your estate for estate tax purposes.

Caution: Gifts made within three years of death (along with any corresponding gift taxes) may have to be added back into the estate. Consult an attorney or tax advisor.

Gifts can be used when value of your business is large or growing rapidly

If the value of your business is large, gifting can be used to move income within your family or to shift ownership of the business out of your estate. When you make a gift of some or all of your business interest, the value of the gift as well as the future appreciation is removed from your estate. You may be subject to gift taxes on the gift, but you will have frozen its value, meaning you won't be subject to tax on any future appreciation. This can be a valuable strategy when you expect the value of the business to continue growing. If the value of your business is large, you might consider making a gift up to the size of the gift tax applicable exclusion amount (formerly known as the unified credit) during your lifetime instead of waiting until your death in order to remove a larger portion (and its future appreciation) from your estate now.

What is the charitable deduction?

The charitable deduction allows you to deduct the value of property you give to The Rotary Foundation from your estate and may reduce any federal gift tax and potential estate taxes that may be owed. Charitable gifting allows you to satisfy your personal philanthropic desires and fulfill your estate planning objectives.

You may wish to give to The Rotary Foundation out of devotion, moral obligation, altruism, generosity, or a sense of responsibility. Or you may want to give because you believe you will do a better job of



distributing your wealth than Uncle Sam. Whatever your motivation, charitable giving should be gratifying.

Gifts to The Rotary Foundation can also fulfill your estate planning objectives. There are no limits on the amount that you can pass to charity. It is possible to transfer your entire estate to The Rotary Foundation, tax free. Gifts to charity allow you to:

- Distribute your property tax free
- Potentially put the amount subject to estate taxes into a lower bracket

Caution: However, remember that property you give to The Rotary Foundation is property that does not go to your heirs. Don't let your attempt to save taxes have the unintended effect of depriving your heirs.

Tip: Charitable gifts are also deductible for income tax purposes for taxpayers who itemize. However, there is a limit imposed on the amount that can be deducted, and other adjustments may be required.

How do you use the charitable deduction?

- For lifetime gifts, the charitable deduction is allowed for the year in which the gift is made for federal gift tax purposes. You don't need to file an annual gift tax return if all gifts made for a given year fully qualify for the charitable deduction.

Special rules regarding the charitable deduction

- The amount of the charitable deduction is limited to the amount of the transfer actually made. Special rules apply if the transfer to The Rotary Foundation first must bear a portion of any estate taxes because of the calculation difficulties that arise. Estate taxes are a function of the charitable deduction and the charitable deduction is a function of the estate taxes.
- **Tip:** The interrelated computation can be avoided by providing a specific bequest to the charity, instead of a gift from the residuary estate.

An example of the use of the charitable deduction

Example: Ron is a small-business owner in the town where he was born and raised. He is a well-liked and respected member of the community. Ron feels he should give back to his community and donates money every year to support the town's zoo, hospital, library, children's center, church, Rotary, and other local charities.

During the years 2003 through 2007, Ron gave \$500,000 in total to different charities. Each year, Ron filed a gift tax return but paid no gift tax because the gift tax charitable deduction offsets his taxable gifts. Each year, Ron also filed an income tax return, reducing his taxable income by the amount of income tax charitable deduction allowed. Ron dies in 2008. Ron's will provides for a charitable bequest in the amount of \$100,000, with the residuary estate passing to his only nephew, James. Ron's executor reduces Ron's taxable estate by \$100,000 (allowed by the estate tax charitable deduction), which then reduces the estate tax owed. Ron's executor pays the estate tax owed and then distributes the residuary estate to James.



Recognition

1. Those who notify TRF they have made a provision in their will or estate plan *or* who make an outright gift of at least \$1,000 are recognized as Benefactors, receive a certificate.
2. Those who inform the Foundation they have made a commitment of \$10,000 or more in their final estate plan are eligible to receive Bequest Society recognition, receive a crystal and pin with increasing numbers of diamonds (see brochure)
3. Outright contributions to the Permanent Fund count toward Major Donor recognition.



REMEMBER:

- ❖ Discuss your estate plans with your spouse/significant other/children
- ❖ Become a Benefactor
- ❖ Talk with your financial planner about the benefits of Planned Giving
- ❖ Contact Planned Giving staff at The Rotary Foundation to discuss specifics about your estate planning situation

As with anything involving possible tax deductions you should consult your tax advisor before making such a gift to make sure it is structured properly. The Rotary Foundation's tax identification number is 36-3245072.