

The FAITHFUL STEWARD

A Planned Giving Newsletter sponsored by St. Frances of Rome Parish

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One formula for a happy life is to constantly focus on our blessings and live out the gratitude we experience.

The 2010 Tax Changes and Your Estate Planning

Last December, Congress enacted a law that exempts estates smaller than \$5 million from the federal estate tax. This frees 99.9% of all Americans from federal estate tax liability. Similarly, \$5 million dollar exemptions were put in place for both the federal gift tax and the generation-skipping transfer (GST) tax. The estate tax, gift tax and GST tax are often referred to as transfer taxes. The catch is that this law expires after 2012. Unless Congress acts before the end of 2012, the transfer tax exemptions will go back down to 2001 levels (\$1 million).

Many advisers expect the higher tax exemptions will be extended beyond 2012, and that only their wealthiest clients will face these taxes. Since estates under \$5 million are exempt from federal transfer taxes, do people with lesser estates still need estate planning? Yes; people with smaller estates may still need to plan for:

Inheritance tax and state estate taxes

A total of 22 states (including Illinois) and the District of Columbia impose estate taxes or inheritance taxes that can affect smaller estates.

Tax-burdened assets

Income taxes will continue to be a concern with certain bequests. IRAs, U.S. savings bonds and other assets may lose much of their value because heirs will be subject to income tax.

Special beneficiaries

Trusts or other arrangements may be needed to provide money management or investment assistance to beneficiaries who aren't good with finances.

Costs and delays of probate

Many individuals are surprised at how long it took to administer the estate of a family member who passed away – and the high cost of estate administration. With proper planning, probate can often be bypassed or made shorter and cheaper.

Thoughtful distribution of assets

Most people would prefer that their affairs not be left in disarray, and that assets be distributed in a manner that keeps peace in their families. Many others would like to make a bequest to St. Frances of Rome Parish in a spirit of gratitude for all their faith has provided to them.

We have a complimentary booklet, *Estate Planning Under the New Rules*, that touches all these topics and offers planning strategies. To receive a copy, just fill out the slip and mail it in or call the Archdiocese's Planned Giving Office at 312/534-7911.

BE PREPARED

- **Do an inventory**
- **Consider who you want to receive your property and in what amounts or percentages**
- **Don't forget disability planning**
- **Nominate guardians for minor children or disabled adults**
- **Choose an executor**

It's Never Too Early To Think About Taxes

Tax savings are not the reason people give to their Church, of course, but they do enable our benefactors to do more than they might have thought possible.

Every dollar you give before January 1, 2012, will be deductible up to 50% of your adjusted gross income, if you itemize your deductions. Any excess deductions can be carried over and deducted for up to five years. A \$1,000 contribution saves \$300 for a person in the 30% tax bracket, \$350 for someone in the 35% bracket.

Mrs. A, for example, could write a check for \$1,000 knowing that her \$1,000 deduction would reduce her taxes by \$250 in her 25% tax bracket. Her important gift costs only \$750, with the tax collector supplying the other \$250.

| Gift Amount | After-Tax "Cost" of a Gift if Your Income Tax Bracket is: | | | |
|-------------|---|-------|-------|-------|
| | 25% | 28% | 33% | 35% |
| \$ 100 | \$ 75 | \$ 72 | \$ 67 | \$ 65 |
| \$ 500 | 375 | 360 | 335 | 325 |
| \$ 1,000 | 750 | 720 | 670 | 650 |
| \$ 5,000 | 3,750 | 3,600 | 3,350 | 3,250 |

Special Opportunities in Charitable Gift Planning

The recent "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010" continues favorable income tax rates, deductions, credits and other rules from past years. It also preserves a variety of provisions that enhance and encourage the support of St. Frances of Rome Parish.

- **IRA Gift Opportunity** The act extended through 2011 the law enabling persons over age 70 1/2 to make direct gifts from their IRAs to the Church or other qualified organizations, up to a maximum of \$100,000.

Gifts count toward minimum IRA distributions required after age 70 1/2 and thus can reduce donors' taxable income, without the need to claim an itemized deduction. (See the "IRA Gift Rulebook").

- **"Life Income" Gifts** A two-year extension of low tax rates on long-term capital gains and qualified dividends means people who receive payouts from charitable remainder trusts and gift annuities may have some of their payments taxed at only a 15% rate (or 0% in some cases).



- **Gifts by Business Owners** Business owners whose S corporations make charitable gifts can take charitable deductions on their personal tax returns; the new law continues favorable basis adjustment rules for shareholders' stock following such gifts.

- **Gifts of Food, Books and Computers** Corporations that contribute these inventory items can continue to receive enhanced charitable deductions.

- **Charitable Lead Trusts** Donors who want to pass significant wealth to family members – and help the Church at the same time – can take advantage of this unusual gift technique and benefit from high gift tax charitable deductions and the new \$5 million gift tax exemption.



Do not forget to do good to others. And share with them what you have.

IRA Gift Rulebook

As noted earlier, IRA giving has been reinstated by Congress for another year. Here are some important rules to keep in mind if you are considering a 2011 IRA gift to St. Frances of Rome Parish.

Only the IRA custodian can transfer gift amounts to a qualified organization. If IRA owners withdraw funds and then contribute them to charity separately, amounts withdrawn will be taxable to the donor.

IRA donors need receipts of the same kind provided for other types of charitable contributions. It's important that donors

coordinate IRA contributions with our office to ensure that appropriate documentation is provided.

Owners of "inherited" IRAs can make gifts (if they are over 70½), but other retirement plans, such as pensions, 401(k) plans and others are not eligible.

IRA gifts cannot be made to charitable remainder trusts or for charitable gift annuities.

For more information on IRA giving to St. Frances of Rome Parish, call Rich Goode at the Office of Planned Giving. His number is 312/534-7848.

Donating Life Insurance – A Satisfying Option

Life insurance can be used to make a significant gift to St. Frances of Rome Parish, with exceptional tax advantages.

Here are a few ways life insurance can be used to support the faith that has supported so many:

A Gift of a "Surplus" Policy – Suppose your family is grown and no longer needs a \$50,000 policy purchased many years ago. Let's assume further that the cash surrender value of your policy is \$20,000 and the premiums cost \$500 annually.

If you contribute the policy to St. Frances of Rome Parish and continue paying the premiums, you will be entitled to an income tax charitable deduction of about \$20,000, reducing your taxes by \$5,600 if you are in a 28% tax bracket. In addition, each year you will be entitled to another \$500 deduction for the annual premiums

you pay, saving \$140 in income taxes. At your death, the full \$50,000 proceeds will be used to help St. Frances of Rome Parish in its important ministries.

"Wealth Replacement" Plans – Parishioners who wish to replace contributed assets in their estates can purchase life insurance payable to family members, funded partly by tax savings from their charitable deductions. The life insurance replaces the assets that the parish receives from you, and if you employ a so-called irrevocable life insurance trust, your family can receive the insurance proceeds free of gift or estate tax. A common example is the parishioner who contributes highly appreciated stock to a charitable plan that pays them an income for life, e.g., a charitable remainder trust or charitable gift annuity. Using some of the income they receive from that charitable trust or annuity, they purchase

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A Reflection on Gratitude

To be grateful is to recognize the Love of God in everything He has given us – and He has given us everything. Every breath we draw is a gift of His love, every moment of existence is a grace, for it brings with it immense graces from Him. Gratitude therefore takes nothing for granted, is never unresponsive, is constantly awakening to new wonder and to praise of the goodness of God. For the grateful person knows that God is good, not by hearsay but by experience. And that is what makes all the difference.

Thomas Merton

HERE FOR YOU

Learn more about exciting, creative ways to give to the Church, maximizing the tax benefits of giving, receiving an income for life and more.

Please call Rich Goode, Director of Planned Giving for the Archdiocese of Chicago at 312/534-7848. Visit us at www.parishgift.org



Happy are you who walk in the Lord's ways

Donating Life Insurance – A Satisfying Option *(continued)*

life insurance that will replace some or all of the wealth they transferred to the charitable plan. They structure things so that the life insurance proceeds will pass outside the estate tax system. In the end, both parish and family benefit.

Revocable Beneficiary Designation – You can keep lifetime ownership rights in a policy (the right to borrow against or cash in a life insurance policy, for example) and still name St. Frances of Rome Parish as the beneficiary of part or all of the proceeds. Your estate will be entitled to a charitable deduction for the amount passing to St. Frances of Rome Parish. If you'd prefer, you can name St. Frances of Rome Parish as contingent beneficiary of a life insurance policy. St. Frances of Rome Parish would receive the proceeds only if your primary beneficiary died before you.

Gifts on the Installment Plan – You don't need to own a "surplus" life insurance policy to make a gift. You can purchase a new policy on your life, naming St. Frances of Rome Parish as the owner and beneficiary. Life insurance allows you to make a substantial gift at a very affordable cost. Annual premiums are fully deductible as charitable gifts and often can be paid up after only five or seven years.

We would be happy to explore possibilities for making a gift of lasting significance to St. Frances of Rome Parish. Rich Goode, the Director of Planned Giving for the Archdiocese of Chicago, is a lawyer who is well versed on charitable estate planning. Rich is available to help our parishioners explore these and other "satisfying options."



St. Frances of Rome Parish - The Faithful Steward

YES! Please send me your booklet "Estate Planning Under the New Rules"

I am considering a provision in my will for St. Frances of Rome Parish

I have already provided for St. Frances of Rome Parish in my will/trust

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP CODE _____

HOME PHONE _____ E-MAIL _____

Please cut this slip out and mail it to:

Richard S. Goode, Director of Planned Giving • Archdiocese of Chicago • 835 N Rush St. • Chicago, IL 60611