LEGACY SOCIETY NEWS

RATE YOUR CHARITABLE GIVING

HOW ARE YOU DOING?

By Ira J. Kaltman, Esq., Beattie Padovano, LLC

When you consider your year-end gifts to charity, it may be useful to recognize there are several ways that you may benefit a charitable organization and obtain a sizeable federal income tax deduction. The choice among these methods will depend upon both your ultimate charitable goals and the other aspects of your overall estate plan. You may choose one or more of these methods.

I have devised a point system whereby you can rate your success in obtaining your charitable goals. Each of the following categories will be assigned a certain number of points you may tally up to determine your charitable rating. Your rating is an arbitrary index, rather than a critique, that indicates the direction of your overall philanthropic motives.

1. DIRECT GIFTS

You can obtain a significant tax deduction by making gifts directly to Hackensack University Medical Center Foundation (HUMCF). HUMCF is a public charity for federal income tax purposes; therefore, you may take a deduction of up to 50 percent of your adjusted gross income for gifts that are made in cash. To the extent that the 50 percent amount is exceeded, the deduction may be carried over for five years.

Gifts of marketable securities held for more than one year are deductible to the full extent of their fair market value. In this case, however, the amount of the deduction would be limited to 30 percent of your adjusted gross income and subject to the five-year carryover if this limitation is exceeded.

Stocks or securities that are held for one year or less are only deductible to the extent of their cost basis (purchase cost); however, the property will be deductible up to an amount equal to 50 percent of your adjusted gross income.

If you have made a direct gift to Hackensack University Medical Center Foundation, give yourself **50 points.**

2. LIFE INSURANCE

Life insurance is an excellent way of leveraging your gift to a charitable organization. In order to make your gift, you would designate the organization, i.e., Hackensack University Medical Center Foundation as the beneficiary of the insurance policy proceeds. If the policy is a term policy, you will get a federal income tax deduction for each of the premiums paid to the charitable organization in the year they are paid. If a policy is permanent insurance (whole-life), you will get a

Continued on Page 2

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Continued from Page 1

deduction equal to what is known as the interrelated terminal reserve of the policy, plus whatever additional premiums are paid on the initial gift. In most cases, this works out to be an amount similar to the cash surrender value of the policy. It must be noted, however, that you would not get a federal income tax deduction in the amount of the entire value of the policy. The organization will be the beneficiary of the full face amount of the policy.

If you have made a gift of a life insurance policy to Hackensack University Medical Center Foundation, give yourself **30 points.**

3. CHARITABLE DISTRIBUTIONS FROM REGULAR AND ROTH IRAS

As part of the Pension Protection Act of 2006, Congress provided for an income tax exclusion for up to $100,000 per year of charitable distributions from regular and Roth IRAs. You must be 70½ years of age or older, and make the distribution directly to a charitable organization. The charitable distribution will count toward the IRA's minimum distribution requirements under the tax laws.

This provision will only apply to distributions made during 2006 and 2007 and does not apply to distributions from IRAs to certain charitable trusts, such as charitable remainder trusts.

If you make a distribution from your IRA to Hackensack University Medical Center Foundation, give yourself **50 points.**

4. A CHARITABLE REMAINDER TRUST

If you establish a charitable remainder trust, you will make a significant charitable contribution to Hackensack University Medical Center Foundation and *receive an impressive income stream as well as a current income tax deduction.* The trust may be established for your lifetime, for the lifetime of two or more individuals, or for a period of years (not to exceed 20). The charitable remainder trust may be structured as a charitable remainder annuity trust or a charitable remainder unitrust. An annuity trust provides for an annual payment to the individual who established the trust, and additional named individuals if you wish, of either a specified dollar amount or a fixed percentage of the initial value of the trust principal with the remainder being payable to charity. A charitable remainder unitrust differs from an annuity trust in that the required payments to the individual beneficiaries are a specified percentage of the value of the principal of the trust determined *each year*—rather than the trust's initial value. Therefore, the annual amount of each additional payment to the trust beneficiaries may vary based upon annual fluctuations in the value of the trust assets.

The individual establishing the trust is entitled to a federal income tax deduction in the year the trust is created equal to the value of the remainder interest to go to the charitable organization. The assets in the trust are also excluded from your taxable estate.

A big advantage of the charitable remainder trust is that it is "a charitable trust" and is not taxable. Therefore, you may transfer appreciated property to the charitable remainder trust and the trust may sell it without any immediate recognition of capital gain to you. A charitable remainder trust is an excellent vehicle to diversify your assets, reap the benefits of a significant income stream, and donate a large gift to charity.

If you have established a charitable remainder trust, give yourself **50 points.**

5. THE CHARITABLE GIFT ANNUITY

The mechanics of a charitable gift annuity are similar to those of a charitable remainder trust; however, the gift annuity does not have any of the charitable remainder trust's start-up or administrative costs. In establishing the charitable gift annuity, you would transfer property (cash, stock, securities) to the charitable organization in exchange for the organization's promise to pay you an annual annuity for your lifetime. Your age at the time of the gift will determine the payout rate you will receive.

In transferring the property to establish the charitable gift annuity, you would receive an income tax deduction for the difference between the present value

Direct gifts, life insurance, IRA distributions, charitable remainder trusts, and charitable gift annuities are all great ways to support Hackensack University Medical Center and its outstanding healthcare programs.

of the annuity that the organization would pay you and the fair market value of the property that you have transferred. The value of the annuity is not included in your gross estate for federal estate tax purposes.

There is no limit to the number of charitable gift annuities that you may establish with Hackensack University Medical Center Foundation.

If you have established a charitable gift annuity, give yourself **30 points.**

6. RATING YOURSELF

If the total points you have accumulated in this article equal 100 or more, you should be proud that you are supporting one of the finest medical institutions in the country. If your point total is 50 points or greater, you are off to a good start. *As you know, including Hackensack University Medical Center and its programs in your charitable giving plans will reap the benefit of good health for everyone in the years to come.*

If you have further questions regarding any of the charitable giving methods set forth in this article, please contact the Manager of Planned Giving at Hackensack University Medical Center Foundation by phone at 201-996-3702 or by e-mail at bkraus@humed.com.

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GIVING AT YEAR-END

Believe it or not, you can limit the amount you will owe Uncle Sam next April 15. Regardless of what type of gift you give, donating before the end of the year qualifies you for a charitable deduction—if you itemize when filing your taxes.

When deciding what type of gift to give, feel free to contact the Hackensack University Medical Center Foundation to learn more about our areas of service, current programs, and upcoming events.

Or, if you don't wish to donate to a specific area, we always welcome unrestricted gifts. This type of gift allows us to designate your funds to meet our most pressing needs. You always have the option of giving cash or writing a check, but you may also use your credit card. You'll receive a deduction in the year you charge your gift—rather than when you pay the credit card company.

You may also consider gifts of appreciated stock and real estate. These types of gifts avoid capital gains taxes, and you can usually deduct the fully appreciated value of the gift for income tax purposes. But, unlike writing a check or giving cash, these gifts take more time to complete. Be sure to plan ahead if you want to take a deduction for the current year.

So whether you face high taxes, suddenly receive an unexpected amount of money, wish to take advantage of your employer's matching gift program, or want to help Hackensack University Medical Center Foundation, make your gifts now against this year's taxable income.

CHARITABLE TAX CODE LIMITS

Yearly deductions are based on a percentage of your adjusted gross income, as follows:

- cash—50 percent
- securities held long term—30 percent
- real estate held long term—30 percent
- tangible property—30 percent if the property will be used by the charitable organization in a way related to its exempt purpose

You are, however, allowed a five-year carryover of any "excess" deduction for use in subsequent years.

BE GENEROUS AT YEAR-END

Many gifts offer tax benefits in addition to the heartfelt satisfaction that comes from giving at year-end. To learn more, send for our FREE brochure by returning the enclosed reply card.

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