

# Planned Giving for U.S. donors

## fact sheet

### Start with objectives

Effective estate plans are based on specific objectives—well thought out and carefully spelled out in writing. These should be reviewed at least every three years to make certain they still meet your needs and expectations.

Your will (or your living trust) should be considered the foundation of your estate plan. Your will accommodates the disposition of most of your assets, but not all of them. Some of your assets will be distributed independently of the provisions of your will. These assets may include property, which is jointly owned; some trust benefits; life insurance proceeds; individual retirement accounts; pension funds; other employee benefits; and outright lifetime gifts to family and charity.

All of these assets are an integral part of your estate plan. Management of these assets and the ultimate disposition of them should be coordinated carefully with the terms of your will or living trust(s).

### Include charitable giving

Your basic estate plan should take into consideration the desirability and advantages of making gifts to charitable causes such as AMBS. Such gifts may be outright gifts during your lifetime and/or deferred gifts, which benefit the seminary fully after you (and perhaps others) pass away.

It is frequently to a person's advantage to transfer cash, securities, real estate and other property to family members and charitable institutions, such as AMBS, while living rather than by will. These gifts can provide favorable income tax and estate tax benefits for you, the donor. In addition, you may enjoy the satisfaction derived from making the gift and watching the impact it has on the recipient.

Charitable giving reduces the tax impact on your estate and allows you to invest in organizations that extend your values in perpetuity.

You may make planned gifts in a number of ways. As always, your lawyer and other tax consultants or financial advisers should assist you in determining which avenue of giving is best for you and your family. We work in consultation with Mennonite Foundation, based in Goshen, Ind., which serves as an important resource to us and also can serve you well.

### Use these tools for estate planning

**A charitable gift by will:** Providing a bequest of cash, personal property or real estate to AMBS in your will is the most common type of estate gift. Such gifts are not subject to federal estate tax. **Would you consider placing AMBS in your will today?**

**Charitable Remainder Trusts:** An irrevocable trust provides an annual income to you and/or another person for life or a period of years. Such trusts also may be set up by the donor's will, directing the income to another person (e.g. spouse or child) for life or a period of years, after which the principal comes to an institution like AMBS. These trusts include the Charitable Remainder Unitrust and the Charitable Remainder Annuity Trust. If you create one or more of these during your life, you can increase your spendable income and provide tax savings for yourself while you also help the work of AMBS.

**Life Income Gifts:** The Charitable Gift Annuity, the Deferred Payment Gift Annuity and the Pooled Income Fund are similar in concept to charitable remainder trusts. These plans do not require the establishment of a separate trust and are especially suited for smaller gifts.



**Life insurance or retirement benefits:** Some people discover that when the original purpose for which they took out an insurance policy no longer exists, the policy becomes an asset they can donate. You may designate AMBS as the beneficiary of a life insurance policy. Or you may make AMBS the owner and beneficiary of a life insurance policy while you are living, in which case there would be current income tax advantages. AMBS also could be designated as the beneficiary of a profit-sharing plan, IRA, etc; the income taxes—otherwise payable due to distributions after your death on qualified retirement benefits—are completely avoided if such benefits are payable to your charity. In addition to income tax benefits, all of the above strategies also can generate estate tax savings.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, effective from Jan. 1, 2010, to Dec. 31, 2011, permits a rollover directly from an IRA to a qualified public charity. For those over age 70 1/2, donations can be made directly to AMBS from a mandatory IRA distribution. Simply contact the custodial agency for your IRA or the AMBS development office for a sample request letter.

**Home or farm:** You may make a gift of your home to AMBS and retain the right to live in the home for the remainder of your life. You are entitled to a charitable deduction from your Federal income tax equal to the present value of the remainder interest in your home (subject to the usual limitations as to the maximum amount of each year's income tax charitable deduction). You also may make a gift of other real estate; find out details from your financial adviser.

**Charitable Lead Trust:** You may choose to set up a trust, which pays income annually to AMBS for a fixed period of years. After that time period, the principal of the trust reverts to you or to another person, such as your children or grandchildren. The trust can be structured to produce significant

estate tax savings for your estate. In addition, the trust can be structured and administered so that the income paid to AMBS is not taxable to you.

### **Keep your estate plan current**

As important as it is to create an estate plan, it is equally important to make certain that its provisions remain up-to-date. Changes in your family environment—births, marriages, death and changes in financial circumstances—are excellent reasons to review your plans. External factors, such as changes in property values, the stock market and the rate of inflation, also are important reasons to reexamine your plans.

In addition, changes in Federal tax laws may have a profound effect on your plans. The state in which you reside may have changed its laws, which also will have a bearing on your plans. Your lawyer or Mennonite Foundation consultants can help you determine what impact these laws may have and what you can do to protect your estate.

### **Ensure your goals are met**

Taking the time to create an estate plan is the best way to ensure that your personal and financial goals are achieved for the benefit of your family and those charitable institutions important to you. The complexity and changing nature of tax laws require the assistance and expert counsel of a lawyer and perhaps other tax advisers.

### **Consult with advisers**

As you make decisions for your estate plan, consult with your lawyer and with advisers at The Mennonite Foundation Inc.