

ENDOWMENT GIVING OPPORTUNITIES

The **Endowment Fund's** purpose is to create a perpetual source of income to help keep The Baby Fold financially sound. The principal is conservatively invested to generate future income.

The **Endowment Fund** is administered by a Board of Directors to ensure quality services continue to be provided to children and families into the future. Endowment funds will be left in tact -- only the income from investment is used and disbursed for the benefit of our programs and services. Your contribution to The Baby Fold **Endowment Fund** will help insure quality, programs and services for the future generations of children and families.

Contributions to the **Endowment Fund** have come from friends who appreciate the value of our quality services to children and families.

There are numerous ways give to the **Endowment Fund**. Listed below are a few:

1. Benefiting Others through Your Will

In addition to being a convenient way to distribute an estate, a will can also be a creative vehicle for making thoughtful gifts.

After providing for the needs of loved ones, you may choose one of several ways to benefit charitable organizations and institutions you wish to support.

By having your attorney revise your will or add a simple amendment, you can underscore your commitment with a gift of a dollar amount, a specific property, a percentage of your estate, or what is left after remembering your loved ones. You may also wish to name one or more charitable beneficiaries in the event that heirs do not survive you.

***Example:** Mrs. Franklin has supported The Baby Fold for over 30 years. She cares about its future and wants to help in a special way.*

When she had her first will drafted, she included charitable gifts that would take affect only in the event her daughter did not survive her.

Now that her daughter is financially independent, Mrs. Franklin is reviewing her will with her attorney. She finds it practical to add a charitable bequest of her estate while still leaving the majority of assets to her daughter.

2. Giving Through Revocable Living Trusts

If you, like many others, have chosen to minimize probate costs by relying on a revocable living trust to pass your property to loved ones, consider how you might also add a charitable dimension to this plan.

You can direct, that at the termination of your revocable living trust, a portion of the assets in the trust will be used for charitable purposes.

Much like a charitable bequest through a will, such a gift is deductible from estate taxes that might otherwise be due and can take effect after loved ones are provided for.

Example: Mark and Sally Robertson have recently reviewed their estate plans. As part of their planning, they have each created a revocable living trust that will transfer much of their property at death.

Their existing wills contain charitable bequests. Their advisors have recommended that they include language in their living trusts to supplement and/or complement the provisions in their wills.

In this way, they assure that their wishes will be carried out if the majority of their assets are eventually distributed under the terms of their living trusts rather than through their wills.

3. Income That Never Changes – Charitable Gift Annuities

A charitable gift annuity is a private agreement between a charity and a person who donates property to the charity. In establishing a gift annuity, the donor makes a gift directly to charity. Gifts of cash or publicly traded stocks are suitable. The agreement (contract) is made between the donor and the charity and obligates the charity to pay the donor and his or her spouse a fixed amount every year for life. Once the payment is established it never changes.

The dollar amount of the fixed payment is determined by calculations based on the age of the donor. The older the donor is, the higher the payout percentage can be. The income payments on a charitable gift annuity may begin immediately or may be deferred to a future date. Part of each annuity payment may be tax-free. The donor will also receive an immediate charitable income tax deduction and defer capital gains tax.

Example: Mrs. Jordan has decided to make a number of gifts through her will and other long-range plans. She would actually like to make those gifts now, but has decided that she cannot do so because she may need income from her assets for future living expenses. After learning about charitable gift annuities, however, she decides to make a gift of \$10,000. At her age, she will receive annual payments of \$900, or 9% of the amount transferred for as long as she lives, no matter what the earnings from the amount used to fund the annuity.

Here is a summary of this gift plan and its benefits:

- Mrs. Jordan transfers \$10,000 for a gift annuity agreement.
- She will receive \$900 each year for as long as she lives. For the first 9 years of her payments, she will pay federal income tax on less than one-half of the payment she receives. After that time, she will pay tax on the remaining amount of the payment as well.
- She is allowed to deduct about \$4,600 as a charitable gift for the year the gift is completed. The exact deductible amount may vary. Check with your advisor at the time you make your gift.
- The amount used to fund Mrs. Jordan's annuity is removed from her estate, saving what could be substantial estate taxes that might otherwise be due.
- Mrs. Jordan enjoys the knowledge that the gift portion of her annuity will be used for the charitable purposes she desires.

4. Give Your Home –and Continue to Live There

A gift of a remainder interest in a home or farm allows a donor to make a lifetime gift of property to charity and retain the right to use the property for life. At the death of the donor, the property passes to the charity. This type of gift is ideal for the donor who wants to give his or her home to charity but also wants to live there for the rest of his or her life. For example, a couple decides to

make a gift to charity of the remainder interest in their home. In return for the gift, the donors receive a charitable income tax deduction based on their ages and the value of the property. The donors will be able to use and enjoy their home for the rest of their lives. At the death of the second person, the house will pass to the charity and there will be an estate tax deduction.

Example: *Mary Rogers, 78, is a widow with three children who live in other areas of the country and are doing quite well financially. She is planning to leave the bulk of her estate to her children and is also considering making a charitable gift as part of her estate plan.*

She decides to make a gift of her home now. However, she retains the full rights and duties of ownership and benefits from her home for the rest of her lifetime.

Because she has made an eventual gift of her home, she is entitled to a tax deduction for almost two-thirds of its value. If the home were worth \$100,000, for example, she would be allowed a tax deduction of about \$60,000 in the year she made the gift, while retaining the right to enjoy the property for life. If she later decided to make a gift of her remaining rights in the home, she would receive additional tax benefits at that time. In any event, the value of her home will also be removed from her estate for tax purposes.

5. A Gift with a Variable Income

Some gift planning options feature income for you or others you select that can increase or decrease with the performance of the assets.

At the time of your gift, you determine the payout percentage of the value of the assets each year, or whether payments will depend on the amount earned by the assets. When the value of the trust investment increases or earnings are greater, more income may be received. The income can be less if the value of the assets declines or earnings decrease.

Additions may be made over time, and a tax deduction is allowed for a portion of each contribution. For many people, such gifts can also play a welcome role in retirement planning.

Example: *Mr. Greene, 68, chooses to give securities worth \$100,000 for a gift that returns payments of 6% of the value of the assets each year. The first year he receives \$6,000. The next year, if the assets are worth \$110,000, his income rises to \$6,600 (6% of \$110,000).*

He is entitled to an income tax deduction of approximately \$46,000, and he avoids capital gains tax at the time the trust is created.

Had Mr. Greene sold the stocks and invested the after-tax proceeds, his income would have been substantially less.

6. Making a Temporary Gift

People who wish to make a substantial gift over a period of years while ensuring that their property will ultimately return to them or their loved ones may be interested in a *charitable lead trust*.

The lead trust is a very flexible plan and can be one of the few ways to control exactly when an inheritance is received, while reducing or eliminating taxes and probate expense that might otherwise be due on assets left to children, grandchildren, or others.

Under the terms of a charitable lead trust, assets are transferred to a trust that pays income to one or more charitable recipients for a number of years you determine. At the end of that period, the assets are returned to you or transferred to others you name.

Example: *Mrs. Swain, 75, has been advised that her estate could be subject to significant amounts of tax at her death. She has four grandchildren, ages 17 through 27.*

After conferring with her advisors, Mrs. Swain decides to create a trust in her will that will pay an annual sum to a favorite charitable interest for 15 years, with the assets then passing to her grandchildren largely free of any estate tax that may otherwise be due at the time of her death.

In this way, Mrs. Swain honors Mr. Swain's memory while ensuring that assets will ultimately pass to her grandchildren.

7. Surprising Benefits of Life Insurance

The need for life insurance can change as life progresses. Children become self-sufficient, and investments may provide unexpected income and security. As a result, not all life insurance coverage may be needed for the reason it was initially purchased.

And now that federal law increasingly exempts more estate from taxation, insurance purchased in the past to cover estate taxes may now be "obsolete."

One way to make a significant gift in the future is to name a charitable beneficiary to receive all or a portion of the proceeds of a policy no longer needed for its original purpose. Or you may choose to make a gift of such a policy today and possibly benefit from tax savings.

Another option is to transfer ownership of an existing policy on which premiums are still being paid, or purchase a new policy naming a charitable beneficiary. In either case, future premiums can be tax deductible.

Example: *Mr. and Mrs. Arnold purchased a \$250,000 life insurance policy on Mr. Arnold's life in 1975. Their advisors recently informed them they can no longer expect to owe estate taxes, so the Arnolds decide to change the policy beneficiary to provide that \$25,000 from the proceeds be designated as a memorial gift, to The Baby Fold, in honor of Mr. Arnold's parents. The remaining \$225,000 is to be paid to the Arnold's grandchildren in equal shares.*

8. Creative Gifts Through Retirement Plans

Whether you participate in a company retirement plan or a fund you have established yourself, such as an Individual Retirement Account (IRA), you may feel you have accumulated funds that are now worth more than will be needed for the comfortable support of you and loved ones.

In that case, it may be very easy and convenient to make a gift from your excess retirement assets to perpetuate work you consider vital for the well being of future generations.

It can be gratifying to know that the funds you carefully saved over a lifetime may be put to good use now or as part of a prudent estate plan.

Example: *Mr. Noble, 67, has always been conscientious about saving money for retirement. He has accumulated a substantial sum and has been told he will soon be required to make withdrawals that are larger than what he will need to maintain a comfortable lifestyle.*

After consulting with his advisors, Mr. Noble learns that it will be better from a tax-planning perspective to leave other property to his children and make his charitable gifts today from a portion of his retirement accounts that remain at his death to charitable use.

9. A Gift of Lasting Significance

All of the ideas discussed in this section can represent ways to make meaningful charitable gifts while you provide for an enduring tribute to a family member or other loved one. There may be no better way to honor a loved one than through a gift with lasting meaning.

Gifts in honor of others can be especially thoughtful on Mother's Day, Father's Day, at the birth of a child or grandchild, on a birthday, wedding anniversary, graduation or virtually any time you wish to show how much you care.

We will be glad to assist you in choosing an appropriate commemoration for your gift in honor of someone special to you.

Example: *After the death of her husband, Mrs. Wright asked that memorial gifts be made in honor of him.*

Now, she has decided to further honor her husband's memory with a special gift. After discussing a number of opportunities, she establishes a fund in her husband's memory that will provide continuing funding for one of his favorite programs.

She will add to the fund through provisions she is making as part of her estate and financial planning.

For more information about endowment giving opportunities, please contact:

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