The Arc of Alachua County

Planned Giving Portfolio

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I. Why Planned Giving?

Perpetuating Important Values

At times it seems like we live in a world that is too fast, too impersonal and too superficial. Institutions come and go so quickly we can't ever seem to figure out what they do or what benefit they provide to the community. In choosing one's charitable giving, we may feel like we are adrift with little passion for the agencies around us and no confidence that our donations will really "matter." That is why the Arc is such a breath of fresh air.

The Arc is a stable, mission-oriented, professionally-managed non-profit that offers help for thousands of people in North Central Florida suffering from intellectual and developmental disabilities. The Arc has spent nearly 50 years adapting to changing community needs and working hard to bring much-needed programs and services to folks with intellectual and developmental disabilities.

The Arc is a gift that many of our friends, family members, or relatives have benefited from in our lifetime. It is a gift that we are obligated to "pay forward" to future generations.

Many "Friends of Arc" (FOA) are helping to extend its influence beyond their lifetimes with planned gifts. Such gifts can be directed to support the overall work of the Arc or designated to support a specific Arc program or service.

The nation's tax laws provide incentives that encourage philanthropy in recognition of the singular role charitable organizations play in meeting our community's needs. Depending on the specific arrangement, you can expect some or all of the following benefits of a well-designed planned gift to the Arc:

- **Income tax savings through the charitable deduction for the value of the gift**
- **Avoidance of the capital gains tax on contributions of certain kinds of property that have increased in value over time**
- **Income for life, for a donor and/or other beneficiary**
- **The possibility of increased disposable income with certain arrangements**
- **Elimination of federal estate tax on the value of a gift passing to the Arc upon the donor's death**
- **Reduced estate settlement costs**

When the Arc is aware of your financial and philanthropic objectives, we can help formulate a plan that takes full advantage of the available tax benefits while at the same time fulfilling your desire to benefit future generations of consumers. The Arc's Development Manager welcomes the opportunity to confidentially discuss one or more of these options with you. Contact Dr. Mark Johnson to schedule such a discussion.

Tax Considerations

Taxes are a major consideration of most potential planned giving contributors. The tax advantages of planned giving vary tremendously depending upon the method used, the state in which the gift is made, the federal tax regulations in force at the time, and the tax situation of the individual donor. Donors can realize tax advantages while retaining use of their assets for themselves and their families.

Generally, planned gifts to the Arc qualify for federal income tax deduction. The rules for income tax deductibility are very specific and strictly applied by the Internal Revenue Service (IRS). The rules are meant to assure that if a charitable deduction is claimed, the charity involved will indeed benefit from the gift.

Gifts to charities are not subject to a gift tax. Planned gifts provide estate tax benefits either by qualifying for charitable contribution when a gift is made or by removing assets from the donor's taxable estate.

Obviously, the tax implications of planned gifts are complex and far-reaching. Those involved in planned giving, both the donor and the charity which is to benefit from the gift, should consult a qualified tax advisor in order to fully appreciate all tax implications and potential benefits accruing to the donor given the planned gift under consideration.

Tax Advantages

Substantial tax advantages can be secured by properly using various planned giving methods.

By definition, planned giving involves financial planning. Certain gift techniques will allow donors to benefit from expert planning and management of their investments while retaining use of their funds. Donors can enjoy peace of mind that comes from knowing that their assets are secure and will be handled according to their wishes later on.

At the heart of planned giving is the sense of purpose and satisfaction that comes from helping others. Many people have the means and the desire to support a worthy cause. Helping them decide how best to act on this desire and spirit of generosity is at the heart of planned giving.

II. What kind of gifts are there?

Types of Gifts

- ***Property Gifts***

1. Cash & Cash Equivalents

Perhaps the most common gift to the Arc (and most charitable organizations) comes in the form of cash, checks, drafts, or money orders which are not ear-marked to a specific program or need. Unrestricted gifts such as these allow the Arc to use the funds where it is most needed. However, donors may also designate or “restrict” a gift to a specific program or service to which the donor feels the greatest affinity. An outright gift of cash is tax deductible for all taxpayers who itemize deductions. The donor’s tax deduction can extend for up to 50% of his/her adjusted gross income. The deduction may be carried over for five (5) years.

One need not have ready cash to make a gift to the Arc, though. If you own shares of stock in a company, you may make a gift to the Arc of stock and the donor in turn receives a tax deduction equal to a fair market value of the stock.

Marketable securities also may be given to the Arc to help meet community needs. Long-term appreciated securities are those which have been owned for more than a year and have increased in value since the time they were acquired.

A donor may also contribute securities through his or her stock broker or by providing the stock certificates directly to the Arc. He or she may also contribute units owned in a mutual fund. These gifts help the Arc respond to changing needs in the years to come.

2. Gift Annuity

The donor and the charitable organization contract for a gift payable to the charitable organization and an annuity payable to the donor. The donor receives an income tax deduction for up to 50% of his/her adjusted gross income. The tax deduction may be carried over for five (5) years. The amount of the charitable contribution is the present value of the annuity, which is determinable under IRS tables according to the donor’s life expectancy and term of annuity. The do nor receives the annuity for term or for life.

3. Real Property

A personal residence, farm, or commercial property that is debt free may be given to further the work of the Arc. In some instances, the Arc will sell the property at fair market value. In other cases, the Arc may retain the property as an investment.

4. Tangible Personal Property

Art, furniture, equipment, collections, and personal mementos that have appreciated in value may be donated to the Arc. The fair market value of gifts can be deducted by the donor if the property can be used by the Arc in carrying out its purposes and functions. For example, the value of furniture for a meeting room, toys for children in the Arc's care, or an oven for a residential program can be deductions for the donor.

5. Bargain Sales

A bargain sale is the selling of appreciated property to the Arc at a price less than its current fair market value. This is a way to contribute to the Arc's work while recovering the costs of the item. The difference between the fair market value and the sale price is eligible for a tax deduction.

6. Life Insurance

With the help of his or her life insurance agent, a friend of the Arc can make a change of beneficiary on an existing, paid-up policy to assign all or a percentage of the policy proceeds to the Arc. He or she may also designate the Arc as the beneficiary of a new policy. For the donor to receive income tax benefits from a gift of a policy with cash value, the Arc should also be made the owner of the policy. If the donor continues to pay premiums, they will be deductible if the donor itemizes deduction on his or her income tax return. Or annual gifts can be given to the Arc so that it can make the premium payments.

- ***Wills & Bequests***

Recent research indicates that 80% of all planned giving comes in the form of wills and bequests. The reasons for making a will are compelling. Wills assure that a person's assets will be distributed as they want rather than as the state decides. The well-being of loved ones can be secured and the causes most dear to them can be strengthened. A bequest to the Arc may be unrestricted to fill the most pressing needs, or restricted to a specific program or service.

A bequest may be a specific amount, a percentage of one's total estate, or the amount that remains after all costs and bequests to other parties have been honored (see Attachment A, page 9).

A bequest allows a valuable contribution to the Arc, even if it comes from someone with a modest estate.

- ***Shared Gifts***

1. Charitable Trusts

Charitable trusts, also called “split-interest trusts,” can be created during the donor’s life or at the donor’s death. Part of the trust benefits individuals (such as the donor or members of the donor’s family), and part of the trust benefits the charitable organization. The value of the tax deduction is the present value of the annuity or unitrust interest going to the charitable organization.

In Charitable Trusts, the donor: 1. contributes to the Arc, 2. receives an immediate tax deduction, and 3. retains an annuity/unitrust interest or benefits other individuals (such as family members). The donor may also incorporate this type of gift at death so that the estate gets the charitable deduction and the donor’s descendants get a remainder or unitrust/annuity interest.

Unitrust interests vary with the appreciation or depreciation of the trust’s assets. Annuity interests are fixed dollar amounts that do not vary with appreciation or depreciation.

There are a number of different types of Charitable Trusts:

A. Charitable Lead Annuity Trust (CLAT)

The donor creates a trust that pays a fixed dollar amount to the Arc for a fixed term or for someone’s life. The donor gifts assets to the trust and receives a tax deduction for the charitable contribution. The principal and the income remaining in the trust at the end of the term (or at the end of the person’s life) goes to any individual(s) chosen by the donor (or to trusts for their benefit).

B. Charitable Lead UniTrust (CLUT)

The donor creates a trust that pays a fixed percentage of the principal to the Arc for a fixed term or for someone’s life. The donor gifts assets to the trust and receives a tax deduction for the charitable contribution. The principal and the income remaining in the trust at the end of the term (or at the end of the person’s life) goes to any individual(s) chosen by the donor (or to trusts for their benefit).

C. Charitable Remainder Annuity Trust (CRAT)

The donor creates a trust that pays a fixed amount to the donor and/or one or more individuals chosen by the donor for a fixed term or for someone’s life. The donor gifts assets to the trust and gets a tax deduction for the charitable contribution. The principal and income remaining in the trust at the end of the term (or at the end of the person’s life) goes to the Arc.

D. Charitable Remainder UniTrust (CRUT)

The donor creates a trust that pays a fixed percentage of the principal to the donor and/or one or more individual(s) chosen by the donor for a fixed term or for someone's life. The donor gifts assets to the trust and receives a tax deduction for the charitable contribution. The principal and income remaining in the trust at the end of the term goes to the Arc.

2. Charitable Gift Annuities

With this type of gift, one contributes to the Arc a certain amount of money and, in return, is guaranteed a life income at rates determined by the Committee on Gift Annuities, an organization of non-profits.

The table below identifies differences between a Charitable Remainder Annuity Trust (CRAT) and a Gift Annuity:

Gift Annuity	**Charitable Remainder Annuity Trust (CRAT)**
Charitable organization controls investment assets with gift annuity	Trustee controls investment assets
Risk that charitable organization could default on payment of annuity	Risk of default much less since the trust's assets are dedicated solely first to the CRAT and the annuity payment it owes.
Only benefits the charitable organization with which the annuity is contracted	Can benefit more than one charitable organization
Less Expensive to set up and manage	More expensive to set up and manage
Not subject to the same treasury regulations	Nature of treasury restrictions is greater

3. Pooled Income Fund

Like a mutual fund, this is a common fund involving a number of donors. Each donor receives a share of the fund's yearly income based on the amount of his/her gift. He/she may avoid capital gains tax on appreciated assets given to the pooled income fund. A donor who is part of such a pool will receive income for his/her lifetime, plus a tax deduction in the year the gift was made. After the donor's lifetime, the market value of the gift will be available to his/her designated Arc program or purpose.

4. Life Estate

A friend of the Arc may also support the organization through a life estate. A residence or farm will be deeded to the Arc while the donor and his or her spouse or other beneficiary retains full rights to the use of the property and can live on it for life.

Attachment A: SAMPLE Bequest Language

Making a Bequest to The Arc of Alachua County, Inc.

"Thank you for considering a bequest to The Arc. Please share the following language with your attorney or estate planner as you prepare or revise your will."

Identify whether your bequest is Unrestricted or Restricted:

<u>Unrestricted Bequest Language:</u>
"I give and bequest (a percentage of estate or specific dollar amount) to The Arc of Alachua County, Inc., a non-profit provider of services to people with intellectual and developmental disabilities in Gainesville, Florida, for its general purposes."

OR

<u>Restricted Bequest Language:</u>
"I give and bequest (a percentage of estate or specific dollar amount) to The Arc of Alachua County, Inc., a non-profit provider of services to people with intellectual and developmental disabilities in Gainesville, Florida, and designate that this gift go to support (a specific department, service or purpose)."

AND

Add this Savings Clause to either the Unrestricted or Restricted Bequest:

<u>Savings Clause Language:</u>
"In the event that use of my gift as declared, in the judgment of the Director of The Arc of Alachua County, Inc., becomes either unnecessary or impracticable, I direct that my gift shall be devoted to such purposes as the Director of The Arc of Alachua County, Inc., in his or her sole discretion, shall determine to be most beneficial and in keeping as close as possible to the original intent of the gift."

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If you would like to discuss the designation of your bequest, or its language, in greater detail, please contact The Arc's Development Director located at: The Arc of Alachua County, Inc., 3303 NW 83rd St., Gainesville, Florida, 32606.