



## **HOW TO MAXIMIZE YOUR YEAR-END GIVING**

*A SPECIAL PLANNING  
REPORT TO ASSIST  
YOU IN YOUR GIVING  
TO MINISTRIES*

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## HOW TO MAXIMIZE YOUR YEAR-END GIVING

Those who desire to give realize that it takes more than desire, it also takes planning. And planning can take on many forms.

In addition to making sure that the ministry you are supporting is worthy to receive your gift and is using your gift properly,

- the types of property you transfer,
- the tax benefits available to you,
- the needs of the ministry, and
- your future income needs

...should be considered.

And year end is an ideal time to plan for how you can maximize your gifts this year, as well as establish a giving program for next year.

### YEAR END GIVING STRATEGIES

Let's look at some of the strategies you can use in making year end gifts.

#### *Giving Appreciated Property*

If you have appreciated property that you plan to sell in the future, you might consider giving the property and avoiding the capital gains tax that would be payable on the sale of the property.

**Example:** You own securities valued at \$5,000, for which you originally paid \$2,000. If you sell the securities, you will have a \$3,000 capital gain, resulting in a tax of \$660 assuming a 22% combined federal and state tax bracket.

If instead of selling the securities, you use them to fulfill your giving desires, you not only avoid the \$660 capital gains tax, but you receive a charitable deduction for the full \$5,000. In a 35%

combined federal and state income tax bracket, this will save you an additional \$1,750 in taxes.

#### *Sell Securities That Have Decreased in Value*

If you own securities worth less now than what you paid for them, you should sell the securities and give the proceeds. This will allow you to take a capital loss on your income tax return, which you would forfeit if you gave the securities.

And you still receive an income tax charitable deduction for the full value of your gift.

#### *Next Year's Tax Bracket Will be Lower*

If you are in a higher tax bracket this year than next, because you are expecting a reduction in income next year, there are two additional strategies to consider.

#### *Prepay Contributions*

You may wish to prepay contributions planned for next year, to take advantage of a greater tax savings. Or you may simply wish to increase your giving for this year.

If you have made pledges that are payable over several years, you may wish to fully pay those pledges this year.

#### *Gifts from Individual Retirement Accounts*

Direct gifts can now be made to charity from your retirement account. If you are over age 70½, you may transfer up to \$100,000 directly from your IRA to Sherwood Oaks Christian Church.

The gift from your IRA must be made directly to a public charity. Gifts cannot be made to private foundations, donor advised funds,



or deferred gift plans, such as a charitable gift annuity or charitable remainder trust.

This direct transfer has many advantages:

- It is simple. You do not count it as income, therefore it is not required to be counted as a charitable deduction.
- This means that it can be given over and above other charitable gifts and will not be subject to the 50% limitation on charitable gifts, or the 2% reduction on your itemized deductions.
- It allows the equivalence of a charitable deduction, even if you do not itemize when you file your tax returns.
- In addition, if the required withdrawal from your IRA is causing additional tax on your Social Security income, the outright gift from your IRA can be used to reduce this tax.

If any of these advantages would influence your giving, we would like to explore this concept further with you.

***Creating a Tax Deduction Through an Income Trust***

You can receive an income tax charitable deduction this year for gifts that you will make in future years. This can be accomplished through a specially designed trust.

You place assets in a trust designed to pay income to Sherwood Oaks Christian Church. You determine the amount of income you wish for the ministry to receive, and the number of years you wish for them to receive it. At the end of the trust period, the principal of the trust is returned to you.

If the trust is properly designed, you can take an income tax charitable deduction

this year for the current value of your future income gifts to Sherwood Oaks Christian Church.

**Example:** If you placed assets into a charitable trust designed to pay income of \$10,000 a year to Sherwood Oaks Christian Church for the next five years, you could take an income tax charitable deduction of approximately \$40,000 this year. And at the end of five years, the assets will be returned to you.

However, the trust must be properly designed so that future payments made to Sherwood Oaks Christian Church will not be taxable to you.

***Guaranteeing Future Gifts Through a Specially Designed Gift Agreement***

Another way to create a tax deduction this year for future gifts, is to guarantee that gift by transferring the property to Sherwood Oaks Christian Church, retaining the benefit of the property for your lifetime or for a period of years.

If you guarantee today that Sherwood Oaks Christian Church will receive property at some time in the future, you will receive an income tax charitable deduction this year.

Your gift can be:

- Cash,
- A personal residence or farm which you continue to occupy,
- Stocks, bonds, mutual funds, or
- Real estate.

It may even be possible to increase your income. If the property you transfer is either highly appreciated or produces a very low income, the transfer can be to a trust which can then sell the property, avoiding capital gains tax, and invest in a



higher income-producing investment. This can result in a considerable benefit to you.

**Example:** You purchased securities for \$40,000, which have appreciated to a current value of \$100,000. Your securities are currently paying a 3% dividend. However, if you sold the securities, you would pay a capital gains tax of \$13,200 (in an assumed 22% combined federal and state capital gains tax bracket).

If instead of selling the securities, you transfer them to a special charitable trust designed to pay you 8% income each year, you will increase your income by \$5,000 a year. And you avoid the \$13,200 tax on the appreciation. In addition, you receive a substantial income tax charitable deduction at the time of the transfer, based upon your current age.

## TAX RULES GOVERNING YOUR CHARITABLE DEDUCTIONS

There are basic tax rules to use in planning your contributions.

- If your gift is of cash or of non-appreciated property, you are allowed a charitable deduction up to 50% of your adjusted gross income. Any excess can be carried over for up to five additional years.
- If your gift is of long-term appreciated property, you are allowed a charitable deduction up to 30% of your adjusted gross income, also with a five year carryover for any excess.
- When you gift long-term appreciated property to ministry, there is no capital gains tax payable at the time of the transfer, or when the property is sold by the ministry.

## PLANNING THE TYPE OF GIFT TO MAKE

### Cash

The most popular way to make a gift is with cash. The only planning required to take a deduction for the gift on this year's taxes, is that your gift must be postmarked or delivered before the end of the year.

### Gifts from Retirement Accounts

With the ability to transfer up to \$100,000 directly from your IRA to charity in 2008, you may wish to use IRA funds to make a special gift to Sherwood Oaks Christian Church.

Timing is very important. Some account custodians may take two to three weeks to process transfer requests. Therefore, you should make your request by early December, to allow time to have your transfer completed by December 31.

### Gifts of Appreciated Property

If you own property such as stocks, bonds or real estate, that has appreciated in value, it may be to your advantage to contribute that property to Sherwood Oaks Christian Church, especially if you do not desire to maintain the property in your investment portfolio.

As noted above, there will be no tax payable on the capital gains, and your income tax charitable deduction will be for the full fair market value of the property.

Timing your gift of securities is important. If the securities are sent directly to Sherwood Oaks Christian Church, or delivered to our broker, the valuation and your deduction will be based on the date of the transfer.



However, if you send the securities through your broker to be reissued in the name of Sherwood Oaks Christian Church, then the transfer date is the date the securities are actually transferred on the books of the issuing corporation. Since that date is unpredictable, you will want to make sure that it is completed before year end, and on a day when the market is favorable.

### ***Gifts of Life Insurance***

You may give ownership of an existing life insurance policy to charity and claim an income tax charitable deduction for the cash value of the policy. You may also take a charitable deduction for remaining premium payments as you make them.

If you wish to purchase a new policy naming Sherwood Oaks Christian Church as owner, you may claim an income tax charitable deduction for your contributions toward the payment of premiums.

### ***Gifts With Retained Benefits***

It is also possible for you to make a contribution to Sherwood Oaks Christian Church, retaining income from the property you transfer. And you can receive an income tax charitable deduction, even though you maintain income benefits.

Your gift can be designed to meet your income needs and provide maximum tax benefits.

Whether you own stocks, bonds, real estate, or even your personal residence or farm, by guaranteeing today that the property will be available to Sherwood Oaks Christian Church at your death, you can receive an income tax charitable deduction.

We'll be happy to further explore these opportunities with you.

### ***Gifts of Tangible Personal Property***

When you make a gift of tangible personal property related to the tax-exempt function of Sherwood Oaks Christian Church, you may deduct the fair market value of the property, without paying capital gains tax on the appreciation, providing you have owned the property for more than one year.

If the property is not put to a related use by the ministry, the deduction is limited to cost basis.

### ***Gifts from Businesses***

If you own your own business, you can receive a charitable deduction for contributions up to 10% of the corporation's taxable income. Your gifts can be of cash, inventory, equipment or crops. Many businesses find that contributions other than cash are more convenient to make.

If your business authorizes the gift this year, the gift can be completed next year, prior to the filing of the business tax return.

If you are employed by a corporation, you will want to check with your employer concerning corporate giving. Many businesses match gifts made by their employees to approved or qualified charities.

## **WHY CONSIDER YEAR-END CHARITABLE GIFTS?**

Seldom can you make a gift and have more money after making the gift than you had before. Therefore, saving taxes will not be your primary reason for giving to Sherwood Oaks Christian Church.

But you give as a part of your lifestyle, your personal commitment. And you give because you care about the mission of



Sherwood Oaks Christian Church, and want to help us fulfill that mission.

Saving taxes is a consideration only after you have decided to make a gift. Then, as a responsible steward, you want to achieve maximum tax benefits. Because your gift will be deductible on your income tax return, the tax savings can result in an actual cost much less than the amount you give.

**CONCLUSION**

We trust this information is of interest and value as you consider your year-end tax planning, and continue developing your lifestyle of giving.

We appreciate the confidence you have placed in us, which is evidenced by your gift. It is our prayer that God will richly bless you for it, and that He will allow us to bear fruit... fruit that will be credited to your account. As you pray and as you give, you are an important partner in the ministry of Sherwood Oaks Christian Church.

If we can help you in your planning, please let us know. Enclosed with this Special Planning Report is a response form which you can use to request additional information. We look forward to hearing from you.

