

Creative Planned Gift Opportunities

Life income Gifts:

Charitable Gift Annuities

This is a great way to provide for Mel Trotter Ministries while you are alive instead of waiting for a bequest to take effect from your estate. It is best utilized by those who are 65 years and older. The Gift Annuity provides an immediate charitable deduction to reduce your income tax, supplement your retirement income with an attractive fixed rate of income, receive TAX-FREE INCOME for your life, and provide for Mel Trotter Ministries at your home-going.....

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Gift Annuities

Ask anyone who has signed a legal agreement, and they will likely tell you that the ideal contract is one in which both parties win. That is exactly the case with the Charitable Gift Annuity.

The Gift Annuity is a legal agreement between you and a qualified charity like Mel Trotter Ministries. In simple terms, it is part gift and part annuity. The annuity portion provides you a high rate of return on cash or certain assets as long as you (and your spouse) live. And the gift comes into play when, upon your death(s), the value of the agreement becomes a charitable contribution.

Charitable Gift Annuity rates are based on your age, with annuity payments as high as 11% for older senior persons. Variations on the Gift Annuity make it extremely attractive as a part of supplementing your retirement planning.

This is one scenario of how it works:

CD's are maturing

Interest paid is only 3% to 4%

You would like more income

What can you do?

Consider a Gift Annuity!

Example: Phil Anthropy-age 75-Cash gift of \$10,000. The actual interest rate of return is 7.1%

Donor receives contract for annuity payments for life.

Receives immediate **charitable deduction** of **\$4,564**.

Receives **yearly** payments of **\$740**. **Tax-free** portion of this income is **\$438.07!**

Effective payout with tax-free portion is **8.5%**

Estimated payout based on actuarial tables is \$10, 730.

Upon donor's death, the charity receives approximately \$10,000.

No Probate, No Estate Taxes, Some Tax Free Income!

\$4,564	Charitable deduction
\$9,514	Estimated lifetime payout to donor
	\$4,380 Tax-free portion
<u>\$10,000</u>	Estimated payout to charity
\$24,078	<i>Return on investment in the Lord's work.</i>

What an exciting option of giving back to the Lord some of what He has given you! You don't have to wait until you're deceased to give through a bequest in your will. Take advantage of the Gift Annuity now while you're alive. The Gift Annuity will benefit you with a charitable deduction and lifetime income, with excellent rates, while you are alive and the residue, upon your death, will go to Mel Trotter Ministries.

Deferred Payment Gift Annuities

This plan receives the same benefits like the gift annuity. It also pays a fixed amount, but the first payment is deferred for a year or more from the date of the gift and is usually timed to coincide with future retirement or other plans. The donor is thus able to make a gift now and use the income tax charitable deduction while in a higher tax bracket, deferring payment until those years when the beneficiary may need the income..... **MORE**

Deferred Payment Gift Annuities

A Plan for the Future with Benefits Today

Our lawmakers continue to provide incentives for Americans to save today in order to meet the financial needs of the future. Each of these plans (like the IRA and 401K) deliver tax benefits in return for a decision that, in effect, defers access to income today. The charitable

planning strategy known as a Deferred Gift Annuity is similar, providing benefits when income is deferred. The Deferred Gift Annuity offered the ideal solution.

Here's how it works: Mr. and Mrs. Smith, both aged 45, transfer the stock to Mel Trotter ministries in exchange for a Deferred Gift Annuity agreement. In simple terms, the agreement calls for a charity to make annual income payments to the Smiths, beginning at retirement and continuing for life. Upon the death of both Mr. and Mrs. Smith, the value of the annuity passes to charity. When the stock is transferred to Mel Trotter they receive a charitable income tax deduction, and they bypass part of the tax due on the \$80,000 capital gain. However, this plan has several benefits you won't find in other retirement plans. They wish to begin receiving income at age 65. The gift is stock worth **\$100,000** and purchased for **\$20,000**. These are:

\$40,822	Charitable income tax deduction
	\$15,700 Yearly income beginning at 65.
	\$ 494 Yearly Tax-free income.
\$376,800	Estimated lifetime payout-Partial bypass of \$80,000 capital gains tax.
<u>\$100,000</u>	Estimated Gift To Mel Trotter Ministries.
\$517,622	Total return on investment in the Lord's work.

A gift to charity

So, not only do Mr. and Mrs. Smith realize their goal of improving their retirement plan, they are able to realize a long-term philanthropic objective as well.

Charitable Remainder Trusts

There are two types of charitable remainder trusts:

Unitrust: income fluctuates annually as a fixed percentage of the fair market value of the trust. This type is best for those who want to participate in market gains and can tolerate some risk.

Annuity trust: income payments are fixed and determined when the gift is made. This is attractive to individuals who wish to avoid risk.

A charitable remainder trust makes periodic payments to one or more individuals for life(s) or for a term of years. Upon termination of the trust, the property remaining will be used for the charitable purpose you have specified. You may act as a trustee, or your financial institution....[**MORE**](#)

Charitable Remainder Trusts

Basics of the Charitable Remainder Trust

In summary, when the decision is made to transfer a qualifying asset into a Charitable Remainder Trust (CRT for short), 100% of the applicable capital gains tax is bypassed; and a charitable income tax deduction is triggered.

These tax benefits are possible because this transfer represents an ultimate gift to charity. In recognition of this irrevocable charitable gift, our tax laws reward the donor. And the benefits begin to add up!

Once within the confines of a CRT, a portion of income generated by the Trust is passed to the individual (or family) -- often resulting in an increase in income.

For example, consider a \$100,000 asset that has been producing a 4% return (\$4,000 each year). Thanks to the CRT, the full \$100,000 is repositioned to generate a higher return, providing a 7.3% income stream -- or \$7,300 annually.

For a husband and wife, 75 and 75 years of age with a 17.6 year life expectancy, this adds up to an **increase in income** of more than **\$58,608** over the life of the donors (increase of \$3,330 per year X 17.3 years).

The charitable nature of the CRT is realized when, upon the death of both husband and wife, the Trust is passed to Mel Trotter Ministries. Assuming wise management of the Trust principal over the years, this remainder can easily exceed the original value of the Trust.

So, when added up, the Charitable Remainder Trust can save current tax dollars,

generate an increase in current income, and result in a substantial gift to charity.

Here is an example of how the CRT might look:

\$100,000 Principal (market value of the asset).

20,000 Cost of the asset.

-0- Capital gain cost (\$80,000 tax avoided).

\$ 12,000 Capital gains tax saved (at 15%).

\$ 28,311 Charitable deduction usable NOW.

\$129,008 Estimated lifetime income.

\$100,000 To Mel Trotter Ministries upon both deaths (est.).

\$269,319 Total Return on Investment

Charitable Lead Trust

A charitable lead trust can provide significant charitable and tax benefits. During the term of the trust, a percentage of the assets is paid out each year to the ministry purpose of your choice, and at the end, all of the remaining assets can return to you or pass to your heirs. Gift or estate tax paid on this gift can be reduced because the present value of the payments to the Mel Trotter Ministries is subtracted from the value of the gift.

This can be an excellent way to support the Mel Trotter Ministries and to pass on family business interests or other appreciating assets to family members with reduced taxes.

Other Gifts:

Bequests

When you leave a bequest to the Mel Trotter Ministries, you can make a generous gift without reducing your current income. Gifts in Wills or Revocable Living Trusts account for a major portion of the Mel Trotter Ministries' funding. You can specify the area that you wish your gift to benefit. You also can create special funds in your name or in memory of loved ones.

Charitable bequests are normally deductible in full for estate tax purposes. Bequests should be made to the Mel Trotter Ministries, Grand Rapids, Michigan..... ***MORE***

Bequests:

Sample Language for Will

Following is recommended language that you and your attorneys can use to make a gift to benefit the Mel Trotter Ministries through your will or revocable/living trust.

1. General Unrestricted Bequest:

"I give, devise and bequeath to the Mel Trotter Ministries, Grand Rapids, Michigan, [percentage of residue, sum, or description of property], the principal and income of which shall be used for such Mel Trotter Ministries purposes as the Board of Trustees may determine."

2. Specific Program - but unrestricted as to use:

"I give, devise and bequeath to the Mel Trotter Ministries, Grand Rapids, Michigan, [percentage of residue, sum, or description of property], the principal and income of which shall be distributed by the Board of Trustees to the Mel Trotter Ministries for use where the need is greatest."

3. Restricted - to be used only for specific purposes, (e.g.: scholarships, buildings etc.):

"I give, devise and bequeath to the Mel Trotter Ministries, Grand Rapids, Michigan, [percentage of residue, sum, or description of property], the principal and income of which shall be distributed by the Board of Trustees as _____ (ie: programs; buildings, etc.)

4. Bequest of Residue - after all other bequests are made:

"All [or a portion of] of the rest, residue, and remainder of my estate, both real and personal, of every kind and description, wherever situated and whether now owned or hereafter acquired, including any power of appointment, I give, devise, and bequeath to the Mel Trotter Ministries, Grand Rapids, Michigan, the principal and income of which shall be used for such Mel Trotter Ministries purposes as the Board of Trustees may determine."

5. Contingent Bequest - if other bequests cannot be completed:

"In the case of a failure or lapse of any legacy or device herein such that the property so bequeathed or devised would pass by intestacy, I direct that in lieu thereof such property shall pass to the Mel Trotter Ministries, Grand Rapids, Michigan, to be known as the [name] Fund, the principal and income of which shall be used for such Mel Trotter Ministries purposes as the Board of Trustees may determine."

Gifts of Life Insurance

If you have a life insurance policy that you no longer need, a gift of a life insurance policy can be a way to combine charitable objectives with tax advantages for you.

An irrevocable gift of life insurance may be appropriate when the growth of your assets or the reduced needs of your dependents make the policy unnecessary.

Because the tax laws regarding gifts of life insurance policies are complex, please contact Jim Johnson in the Mel Trotter Ministries office for assistance with your specific insurance policy.

Gifts of Real Estate

A personal residence or farm may be given as a charitable gift, with the donor retaining the right to use the property for life. This is known as a Life Estate Agreement. The life estate may be retained for one or more lives, or for a term of years. There is a sizable charitable deduction which is received for this gift.....**MORE**

Gifts of Real Estate-Known as Life Estate Agreements

The donated property does not have to be a principal residence, which means the donor's vacation or other home may be used in making the gift. As for the definition of a farm, the IRS says it must be land used by the donor or his tenant for the production of agricultural products or the raising of livestock.

The donor receives a charitable income tax deduction based on the gift's remainder value. Computing the charitable deduction for a remainder interest involves several factors. The fair market value of the property, the estimated useful life of the structure and the value of the

structure at the end of its useful life must all be determined. These values must be obtained from a qualified appraiser.

A donor is allowed by law to deduct up to 30% of his or her adjusted gross income when making a gift of appreciated property. However, the donor is allowed to carry forward any unused portion of the remainder value for a period of five additional years if necessary.

A Life Estate Agreement is an excellent vehicle for the donor(s) who would like to leave a gift of their house to Mel Trotter Ministries, receive a sizable charitable deduction, but who needs use of the residence during their lifetime.

Questions? - Contact Jim Johnson at the Mel Trotter Ministries by e-mail, jwjohnson@meltrotter.org, or call him at 616-454-8249, or you may contact your own advisor or a planned giving specialist below:

This information is not intended as legal advice. Please consult your advisors.