visions IN PERSONAL PLANNING

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Fall 2013

Gifts of Stock and Other Appreciated Property

What goes up can be an attractive way to give

For equity investors, the past decade has been a roller coaster ride. The markets saw dizzying ups and downs. The best laid schemes unraveled and previously healthy portfolios suddenly looked tossed together. Then the Dow rose again to unprecedented heights. In deciding when to buy, sell or hold, savvy investors know that change is a constant variable. Fortunately, charitably minded investors have an additional planning strategy available to help them. That is, to give.

Perhaps you are an investor who owns valuable stock that is worth much more than you paid for it. A gift of securities that have appreciated over time can create substantial benefits for you *and* the Zeta Beta Tau Foundation. In addition to making an important contribution to our work, a carefully planned gift can:

- eliminate or reduce capital gains taxes
- generate an income tax charitable deduction
- provide a tax-wise way to move assets
- create a stream of income through a life income gift plan such as a charitable gift annuity or charitable remainder trust
- further our mission

Interested? We think you'll enjoy this issue. For more information about how a gift of appreciated securities can benefit you and us, simply use the enclosed reply card to request a complimentary copy of our informative brochure, *Maximizing Tax Savings with Gifts of Appreciated Stock*. Of course, you are always welcome to contact me with additional questions.

Cordially, Fraternally and Sincerely,
Faron A. Lewitt

OUR PLANNED GIVING WEBSITE!
Visit **www.zbt.org/plannedgiving** to learn more about options for integrating tax-favored giving with your personal planning.

ZETA BETA TAU
FOUNDATION

Why Giving Appreciated Property Is a Smart Financial Decision

Although cash may be the most obvious asset for giving, many other kinds of property also make suitable gifts—stocks, bonds, apartment buildings, condominiums, vacation homes, works of art, stamp collections, business interests, etc. If an asset has value, chances are that someone, somewhere, has gifted that property to charity.

A gift of appreciated property can be an attractive planning strategy. In fact, it is often more advantageous than a gift of cash. Why? The primary advantage is that a gift of appreciated property allows a donor to avoid capital gains tax.

Our organization benefits and so do you

Consider Bill, a long-time supporter of our organization. Bill intends to give $5,000 this year. He could write a check for $5,000 or give appreciated stock worth $5,000. Whether he gives cash or stock, Bill will be able to deduct $5,000 on his federal income tax return as a charitable contribution (subject to some limitations).

Bill considers the advantages and decides to donate his stock rather than cash. This way, he can avoid the capital gains tax. Bill purchased the stock years ago for $2,000, and if he sold it he would have to pay capital gains tax of $450 (a gain of $3,000 taxed at the capital gains tax rate of 15%). The real

PLANNING TIP: A donor cannot deduct more than 30% of adjusted gross income for a charitable contribution of non-cash property in a single year. However, should the gift exceed this annual limit, the donor can carry over the excess deduction for up to five years.

Close-up of planning options

Bill has options when planning his gift.

1. Give our organization $5,000 in cash,
2. Sell the appreciated stock with a basis of $2,000 and give us the cash proceeds, or
3. Give the stock directly to us.

A dollar-and-cents comparison of these options illustrates why choice number three is the clear winner.

	option 1 **Give cash**	option 2 **Sell stock**	option 3 **Give stock**
Charitable Gift	$5,000.00	$5,000.00	$5,000.00
Capital gains tax payable (15%)	0	+ 450.00	0
Capital gains tax avoided	0	0	- 450.00
Tax savings in 35% marginal tax rate	-1,750.00	-1,750.00	-1,750.00
After-tax cost of gift	**$3,250.00**	**$3,700.00**	**$2,800.00**

after-tax value of the stock would only be $4,550.

However, by giving the long-term appreciated stock to our organization, he can still deduct the full $5,000 amount as a charitable contribution while also saving the $450 in tax. This is despite the fact that the $3,000 gain has never been taxed. Therefore, the deduction saves him even more when he calculates his income taxes.

PLANNING TIP: Because our organization is exempt from federal income tax, we can sell donated securities and use every dollar of the sales proceeds for charitable purposes.

How to give securities

It is easy to transfer listed securities to our organization. If the stock or bond is held in a brokerage account, you can instruct your broker to transfer the securities to one of our accounts. Have your broker call our office for transfer code information. The gift will be effective on the date your broker transfers the securities, which should be the same day you tell the broker to make the transfer.

If you have physical possession of the stock certificate or bond, you can simply mail it to us, and—in a separate envelope—mail us an executed stock or bond power. Your gift will be complete and will be valued for tax purposes on the date it is postmarked.

Examples for illustrative purposes. Consult your tax and financial advisors when considering any planned gift.

Real Estate Gifts: Another Beneficial Choice

So far, the discussion has focused on the tax benefits of giving appreciated securities. The same benefits are also available for gifts of appreciated real estate—you can deduct the full fair market value of the property and avoid capital gains tax.

There is another advantage to consider: unlike stocks and bonds, real estate requires regular maintenance and management, in addition to insurance costs and taxes (a technology stock may go up or down, but it never needs a new roof). In the right situation, a gift of real estate can be an ideal way to simplify your life, realize your philanthropic goals, and perform a great service for our organization.

Example: Recently, Elsa decided to move to another state to be closer to her children. She plans to sell her home and purchase a condo with the proceeds. However, she is not sure what to do with the family vacation home at a nearby lake. Her first thought was to sell the property (worth about $250,000), but there will be capital gains tax to pay (about $30,000) along with selling costs, broker commissions, and other expenditures.

Instead, Elsa considers making a gift of the property to our organization in honor of her late husband. She can deduct the fair market value of the property. A gift of $250,000 can create a tax savings of $87,500 at a marginal tax rate of 35%.

Of course, both Elsa and our organization should consider whether the proposed gift is a prudent choice, and whether there are any costs associated with transferring the property. But, given the appropriate circumstances, a charitable gift of real estate can be an attractive way to give.

THE IRA CHARITABLE ROLLOVER: A TAX-FREE DISTRIBUTION FROM YOUR IRA IN 2013

If you own an IRA and are 70½ or older, you are required to take a distribution (a required minimum distribution or "RMD") from your IRA, even if you don't want it or need it. Of course, you must pay income taxes on RMDs—there's simply no way around it. But under the IRA Charitable Rollover, you can elect to make a distribution up to $100,000 directly from your IRA to us, and no income taxes are due because we are a tax-exempt charity. The distribution can also count toward your required minimum distribution for 2013 provided you follow IRS guidelines for reporting the RMD.

The IRA Charitable Rollover is an easy way to meet your philanthropic goals and pay no taxes on your required distribution, but the gift must be completed by December 31, 2013. Plan ahead, and contact us if we can be of help.

LIFE INSURANCE: A PRACTICAL PLANNING TOOL

Life insurance is a unique asset. The choice of giving a policy or naming the Zeta Beta Tau Foundation as a beneficiary means supporters and friends can make a significant gift that might otherwise be out of reach.

Perhaps you purchased a cash value life insurance policy years ago to protect your family or loved ones, but circumstances have changed—children are grown up, a dependent relative is now independent, you paid off significant debt. When you give the policy to us, you can deduct the current value of the policy (or your net cost if that is a lower value). We're happy to explore the options and potential benefits available to you through a life insurance gift.

Gift Planning Benefits

The tax benefits associated with gifts of appreciated property may let you make a much larger gift than you thought possible. You can designate that your gift be used by a program or activity that is dear to you, or choose to let us use your gift to meet our most urgent needs.

You may also want to consider that appreciated assets can be used to fund life income plans. These arrangements provide needed annual payments made to you or a designated beneficiary. With a life income gift, you can increase your income, save taxes, and ultimately do more for Zeta Beta Tau.

These ideas and others are discussed in our brochure, *Maximizing Tax Savings with Gifts of Appreciated Stock*. To find out how you can benefit from a gift of appreciated property, simply use the enclosed card or call us at your convenience.

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Zeta Beta Tau Foundation, Inc.
3905 Vincennes Road, Suite 100
Indianapolis, Indiana 46268

Contact: Faron A. Lewitt, Executive Director
Phone: 317-334-1898
Fax: 317-334-1899
E-mail: faron@zbtnational.org
Website: www.zbt.org/plannedgiving