

Foundations for the Future

Fall 2002



A special gift, estate, and financial planning newsletter for friends of the Pine Rest Foundation

A Profile in Giving: Theresa Vroon

By Mary K. Donovan

For many years, Theresa Vroon has included the Pine Rest Foundation and Pine Rest Christian Mental Health Services in her annual giving. "I believe *strongly* in the high quality, Christian care being provided at Pine Rest," Theresa says.

In addition to her annual contributions to the Patient Assistance Fund, Theresa felt she wanted to do more to help those served by Pine Rest. She elected to show her commitment and support of the Pine Rest Foundation by establishing Charitable Gift Annuities with the Foundation. A Charitable Gift Annuity is a contract between an individual and a qualified charity, which exchanges a gift to a charity for an annuity (guaranteed lifelong income) to the individual.

Theresa cites several advantages of using a charitable annuity. "My gift is able to provide financial assistance to those that are in need of the Christ-like care Pine Rest provides and also provides an annual income for me. I receive a quarterly check, of which only a portion is taxable for a designated number of years. I was also able to take a sizable charitable income tax deduction the first year."

In addition to appreciating the structure and benefits of this type of

gift, Theresa also had great praise for the process: "I appreciated the way the process of giving through a charitable gift annuity was handled by the Pine Rest Foundation."

Like Theresa, a growing number of people have discovered that Charitable Gift Annuities are a great way to support their favorite charities *and* provide a guaranteed stream of income for themselves. Charitable Gift Annuities are particularly attractive during this current economic climate with low interest rates and an uncertain stock market.

A Charitable Gift Annuity with the Pine Rest Foundation provides:

- a safe investment in these uncertain times
- a higher rate of return than a CD
- income for life
- an income tax deduction
- resources to extend the mission and work of Pine Rest Christian Mental Health Services

If you would like to learn more about the Pine Rest Foundation's Charitable Gift Annuity Program or other Planned Giving options, please contact Scott Halquist, Director of Development Programs, at 616/281-6375.



Theresa Vroon

Year-End Overview

- Complete all gifts by December 31 to qualify for tax savings on this year's tax return.
- Keep all receipts and acknowledgment letters, especially for gifts of \$250 or more.
- If you have sold securities this year and will be subject to capital gains tax, remember that gifts of cash or securities may partially or fully offset tax on your gains.



TAX PLANNING POINTERS

- Amounts contributed to charity are not generally subject to federal income taxes.
- When you itemize deductions, you may deduct cash gifts of up to 50% of your adjusted gross income (AGI).
- Gifts of appreciated securities and certain other assets may be deducted at full value in amounts up to 30% of your AGI.
- Unused deductions can reduce taxes in up to five future tax years.
- Donated property owned for more than one year qualifies for maximum tax benefits.

The Benefits of Giving Now

People who enjoy supporting charitable interests may wish to consider completing their gifts this year to ensure maximum tax benefits.

Professional advisors recommend some taxpayers take as many deductions as possible in the near term. That's because lower tax rates planned for the future may make all deductions—including charitable gifts—worth less than they are today.

What can be given?

Gifts of cash and by check are the most popular means of making charitable gifts. Through gifts of cash, it is possible for those who itemize deductions to eliminate income tax on up to 50% of their adjusted gross income. Gifts in excess of this amount may be deducted in years to come.

Give "paper profits"

John and Martha Taylor normally make their gifts in the form of cash. After speaking with their tax advisor, they decide to use stock that has increased in value to fund their gifts for 2002.

The securities they plan to donate have declined in value since the first of the year. Although the stock is still worth significantly more than what the Taylors paid, its further growth potential seems uncertain.

By donating the stock, they are allowed to take a tax deduction for its full value, including all remaining "paper profits," while completely bypassing capital gains tax that would be due if the stock were sold.

Save taxes—diversify investments

Mary Nash owns securities that have grown in value since she purchased them. They yield no income and she thinks they may have peaked in value, yet she is reluctant to sell them because of the capital gains tax she would owe.

She decides to use the securities to fund her charitable gifts this year. As a result, Mary enjoys an income tax deduction for the full value of the donated assets, while totally avoiding tax on her capital gain.

Mary then uses cash she would otherwise have contributed to purchase investments she believes may grow in value that will also yield current income. In so doing, Mary has diversified her holdings while enjoying a new, higher cost basis.

If her new investments increase in value, she will thus have less gain to report on a subsequent sale. If their value decreases, she may be able to deduct her loss for tax purposes.

Benefit from losses

If you own securities that are worth *less* than you paid for them and you doubt they will regain their value, consider selling them (thereby creating a loss you may be able to deduct) and giving the cash proceeds. This can actually result in tax deductions that total more than the current value of the investment.

Completing Your Gifts on Time

Depending on how you choose to make your gifts, it is very important that you take all necessary steps to assure maximum benefits for you and your charitable interests.

Gifts of cash or checks

Make sure your gift is personally delivered or mailed in an envelope postmarked no later than December 31.

Gifts of securities

If you own securities and have the certificates in your possession, send a signed stock power and the unendorsed stock certificate in separate envelopes. Your gift is considered to be complete on the date of the later postmark if the envelopes are not postmarked on the same day. For other securities or mutual funds, consult us and your financial services provider for specific instructions.

Gifts from retirement accounts

Contact your retirement plan administrator if you would like to make a withdrawal from a retirement account, and use the funds to complete your gift. For those age 59½ and older, this can be a convenient “pocket” from which to make charitable gifts.

Meeting Future Needs

Charitable gifts can also be made from financial plans you may already have in place, or from arrangements you create for the express purpose of including charitable gifts as part of your long-term plans.

Gifts from existing plans

You may wish to provide for charitable interests in one or more of the following ways:

- Through a provision in a will or living trust. There is currently no limit to the amount that can be given in this way free of federal estate and gift taxes.
- As beneficiary of all or a portion of the remainder of retirement plan accounts upon the death of all beneficiaries. This can help maximize tax savings.
- To share in the proceeds of life insurance policies that are no longer needed for their original purpose.

Gifts from special plans

Charitable trusts and other plans can enable you to make gifts today while retaining income for yourself and/or your loved ones. Through such plans, you may also benefit from professional asset management and tax savings. More information on ways to accomplish your personal and charitable goals is available upon request.



New Tax Laws Phased In

- Income, gift, and estate tax rates will gradually be lowered over time.
- The federal gift and estate tax exemption amount increased from \$675,000 to \$1 million on January 1, 2002.
- Expanded retirement and pension opportunities.
- An increase in the child tax credit over time.
- Relief over time from the so-called marriage penalty.



Don't forget to explore other ways to make gifts. Can you give through your business, advised gift fund, or other means?

Arrange for Special Gifts Now... and Later

As noted on page 3, a central feature of last year's tax legislation is the scheduled reduction and eventual elimination of the tax levied on estates at death.

Many observers believe that the federal estate tax will not be entirely eliminated in the long term. Still, scheduled reductions will greatly reduce over time the impact of this tax for many Americans.

If you believe your estate will pass to others tax free, or if you are not sure whether estate taxes will apply in your situation, consider arranging for a future gift today. This way, you can enjoy income tax savings and other financial benefits now while still providing for a significant charitable gift as part of your long-range plans. Known as

"split interest" gifts, these special plans offer one or more of the following incentives:

- Attractive fixed or variable payments for life or another time period in amounts you determine
- Income tax savings based on full market value of assets
- Diversification of investments while reducing or eliminating capital gains tax
- Professional asset management
- Reduction of probate expenses

We will be pleased to work with you and your advisors as you explore ways to make your current and future plans in ways that maximize exciting charitable planning opportunities.

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If you are interested in receiving more information on year-end giving, simply complete and mail the enclosed form in the return envelope provided.



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The Pine Rest Foundation exists to provide Pine Rest Christian Mental Health Services with financial resources and community support so its ministry of love and healing in Christ's name can flourish and be enhanced.