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The Endowment and Planned Giving Professional Advisor Tool Kit is intended to be used for informational purposes only and is in no way providing legal or financial advice.

This resource is the first of many others to follow in our mission to be the central source for long-term philanthropy, endowment and planned giving for individuals and institutions in our Colorado Jewish community.

For more information or to request additional copies of this Tool Kit call 303.316.6469 or email info@jcfcolorado.org.



Jewish Community
Foundation

Your Partner in Jewish Philanthropy

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Types of Gifts



CASH

If you itemize deductions on your tax returns, the first tangible benefit of making a gift of cash to Jewish Community Foundation today is an income tax charitable deduction for the full value of the gift in most cases. The resulting reduction in income taxes payable lowers the net cost of the gift. If you are subject to state and/or local income taxes as well as federal, the combined marginal rate (after the federal deduction for those income taxes paid) should be taken into consideration in determining the gift's net cost.

If you don't usually itemize deductions, you may want to consider it for any tax year in which you make a sizable charitable donation. One technique used by people who have few itemized deductions is to alternate between years in which they make few charitable gifts and take the standard deduction, and years in which they give double their desired annual philanthropic support and shift to itemizing.

Beware of the annual limitation on the use of charitable deductions claimed for gifts to public charitable organizations, which for any specific year is 50 percent of your adjusted gross income (AGI) for cash gifts. Any unused deductible amounts can be carried over and used for as many as five additional years, if necessary.

If you predict that your estate will be subject to estate tax at your death, keep in mind that you receive a federal gift tax charitable deduction for the value of gifts of cash made during your lifetime. Since the value also is removed from your future estate, it completely eliminates the federal estate tax. This savings reduces the net cost of your charitable gifts.

Outright Gifts and Their Results

Cash gift. A cash gift by check is one of the most common methods for making an outright charitable contribution. For cash gifts of \$250 and more, donors must have written confirmation from the charitable donee, as canceled checks are no longer sufficient proof of a deductible gift.

To illustrate the net cost of a \$1,000 cash gift, assume the gift is made by a taxpayer with a combined state and federal marginal income tax rate of 36 percent. The amount of the tax bracket, multiplied by the amount of the gift, is subtracted from the gift to determine the net cost to the donor.

$$\begin{aligned} 36\% \times \$1,000 &= \$360 \\ \$1,000 - \$360 &= \$640 \end{aligned}$$

Therefore, the net cost of the donor's gift is \$640.

RETIREMENT PLAN ASSETS

Like many Americans, you are probably aware that the accumulation of assets in your retirement plan is the basis for a financially secure future. To preserve your retirement assets after your lifetime, consider the benefits of using them in a totally different way.

Retirement accounts are often exposed to income taxes and estate taxes, at a combined marginal rate that could rise to 65 percent or even higher on large, taxable estates. Yet many of these taxes can be avoided or reduced through a carefully planned charitable gift.

Other considerations come into play when deciding on using retirement plan assets for charitable giving. Your account can pass directly to a charitable organization as your primary beneficiary, or it can be transferred to a deferred giving arrangement that will pay an income for life to a family member, after which the remaining assets pass to the organization. You might even consider a deferred gift that is designed to pay a life income to yourself.

How Retirement Accounts Are Taxed

Qualified retirement plans are those that receive favorable income tax treatment during an employee's lifetime. No income tax is due on the funds as contributed, and no income tax is due on the earnings and appreciation while in the plan. You pay taxes on the funds only when you receive them. Such plans come in many forms: a defined benefit pension plan, money purchase pension, profit-sharing plan, annuity plan, 401(k) or 403(b) plan, stock bonus plan, Employee Stock Ownership Plan (ESOP) or simplified employee pension (usually a SEP-IRA), SIMPLE IRA plans from your workplace, and Keogh accounts and Individual Retirement Accounts (IRAs) you set up for yourself.

Generally, the undistributed balance of qualified retirement plans is fully includable in your gross estate for estate tax purposes. Since the funds in retirement accounts usually represent deferred compensation that has not been subject to income tax, giving the accounts to individual heirs exposes the funds to income taxes. Your retirement dollars can be seriously depleted by this double taxation.

A qualified retirement plan often makes a large, taxable distribution shortly after an employee's death. As a general rule, qualified plans other than IRAs will specify how quickly distributions must be made from the plan. In the case of an IRA, if the owner dies before reaching the required beginning date, the plan benefits must generally be distributed within five years, but a designated beneficiary may stretch the distributions over his or her life or life expectancy. If the owner dies after the required beginning date, then the entire balance can be distributed over the longer of what would have been the deceased owner's remaining life expectancy or the designated beneficiary's remaining life expectancy. Only a surviving spouse can roll over an inherited distribution to his or her own IRA and benefit from further income tax deferral; all other beneficiaries are taxed according to the above rules.

Income in Respect of a Decedent

The IRS labels estate assets that were not previously included in a decedent's taxable income as items that generate "income in respect of a decedent" (IRD). In plain language, these are assets that would have been taxed as income had the recipient lived long enough to receive them. In addition to qualified retirement plans, IRD items include accrued interest on Certificates of Deposit and savings bonds, unused vacation pay, non-qualified stock options, deferred payments of capital gains and other undistributed but earned income. Among all your assets, the largest IRD source will probably be your retirement accounts.

By donating retirement assets, those funds avoid both estate and IRD taxes, and you can be certain that 100 percent of the balance of your retirement funds will support your philanthropic objectives. Generally, the cost to individual heirs will be modest.

Example: Bill is considering adding a charitable bequest to his will, with the residue of his estate passing to his children. Instead, he should name Jewish Community Foundation of Colorado as beneficiary of his profit-sharing account. The death benefit passing to the organization will not only qualify for the estate tax charitable deduction but will also pass free of any income tax obligation. His children will benefit from this change because, rather than getting the profit-sharing account proceeds that are subject to income tax, they will receive other assets of his estate that are free of income taxes.

How to Donate Your Retirement Account

The simplest way to leave the balance of a retirement account to us after your lifetime is to name the Jewish Community Foundation of Colorado as the beneficiary on the beneficiary form provided by your plan administrator. Never make a beneficiary change, however, before discussing your desires with your professional advisor. For an IRA or Keogh plan you administer personally, notify the custodian in writing and keep a copy with your valuable papers.

If you are married, your surviving spouse may be entitled to receive the entire amount in these qualified plans: money purchase pension, profit-sharing plan, 401(k) plan, stock bonus plan, ESOP or any defined benefit or annuity plan (though not an IRA). In order for the assets to be transferable to Foundation, your spouse must execute a written waiver (even though you may designate a charitable organization as beneficiary on your employer's forms). Your spouse can execute one after your death, if necessary. In that case, the document must also include a qualified disclaimer.

If you prefer to make your spouse the primary beneficiary of the retirement account, you can name the Foundation as the secondary beneficiary.

Perhaps you want your children to benefit from your retirement account, too. In that case, you might designate a specific amount to be paid to the Foundation, before the division of the rest among your children.

Tax Precautions and Options for Charitable Transfers

Being cautious in the way you designate your charitable bequest will assure that you are not setting your estate up for some disadvantageous tax consequences.

Suppose your will provides that your retirement plan assets are to be used to fulfill a specific bequest to the Jewish Community Foundation of Colorado. A problem could arise if your estate were required to recognize the plan distribution as taxable income while not being able to claim an offsetting charitable income tax deduction. To sidestep this problem, your will should provide that payments to the Foundation are to be made from IRD items. A different way to avoid this problem is to omit any reference to the charitable contribution in your will and instead simply designate the charitable organization as the successor beneficiary on the retirement plan forms provided by your employer.

Once you reach age 70-1/2, you are required to begin taking payments from your qualified retirement plans if you have not yet done so. The IRS rules make it easy to name a charitable organization as the primary or contingent beneficiary. Under the regulations, designation of a charitable organization as the beneficiary of any portion of the plan benefits will not increase the employee's minimum required distribution, despite the fact that the organization would not qualify as a designated beneficiary. It is preferable to make certain that the amounts are paid to the charitable organization before Sept. 30 of the year following the employee's death.

Life Income for Survivor

Another tax-benefiting possibility is to transfer retirement assets at death to a tax-exempt deferred giving plan, such as a charitable remainder unitrust or a charitable remainder annuity trust. The trust beneficiary you designate will receive an income for life, either a fixed percentage of the value of the trust assets as revalued annually or a fixed dollar amount. Thereafter, the remaining principal will support our work.

By naming a deferred giving plan as the ultimate beneficiary of your retirement account, income taxes can be deferred over the life of the income beneficiary you designate. This may offer the only income tax deferral opportunity for your heirs if your retirement plan requires an immediate distribution.

Example: Under the rules governing her company's profit-sharing plan, Anne's account must be distributed within five years after her death. She estimates that when she dies, the account balance could be at least \$200,000. If she were to name her daughter, Sandy, as the beneficiary, the entire amount would go to Sandy as ordinary, taxable income, incurring probable federal and state income taxes of more than \$40,000. In addition, a federal estate tax of more than \$90,000 would be due if Anne's other assets equaled more than the amount exempt from estate tax. Less than \$70,000, or 35 percent, of the \$200,000 could be left for her daughter after payment of all the taxes!

Instead, Anne creates a charitable remainder unitrust and names it as the beneficiary of her profit-sharing plan. She arranges for the unitrust to pay 7 percent of the value of the assets to Sandy each year for life. The net result is significant income tax deferral. The entire \$200,000 can be invested to produce investment income. The estate tax on the value of Sandy's interest must be paid from other assets. The partial estate tax charitable deduction for the present value of the charitable remainder interest will reduce Anne's estate tax.

Precautions on Transfers to Deferred Giving Plans

As with charitable bequests, similar problems may arise with deferred giving plans. If the retirement plan distributes to the estate and then the will distributes to a deferred giving plan, this may result in taxable income from the transfer of retirement assets to the deferred giving plan. The estate, of course, is entitled to claim only a partial charitable deduction for the value of the remainder interest that will pass to the charitable organization.

Again, the simple solution is to make the deferred giving plan the beneficiary of all or a portion of the retirement plan assets, so that they will bypass the estate's reportable income.

Draw Life Income From Charitable Rollover

So far, our discussion has related to arrangements after your lifetime, but you may use retirement plan assets to benefit yourself during your lifetime and us thereafter using a Charitable Remainder Trust.

You arrange a lump-sum distribution from your qualified plan. Then, you contribute the after-tax amount to a Charitable Remainder Trust that assures you an income for life while committing the remaining assets to us after your lifetime. This results in an income tax charitable deduction that may partially offset the tax on the lump-sum distribution. (Each situation must be analyzed individually to determine the exact financial benefits. We recommend the counsel of a financial professional.)

Valuable Estate Planning Strategy

While donating the balance in a retirement plan account may be the most tax-effective means of supporting our mission, it is also a relatively new area of estate planning. Please seek guidance from an attorney and other professionals who are thoroughly versed in this field of tax law.

SECURITIES

A stock portfolio is often among the most valuable assets you own, and one that carries substantial capital gain—appreciation in value. The downside to assets that have increased in value over the years is that the federal government is prepared to levy taxes of up to 15 percent on your capital gain from securities. With careful planning, you can reduce or even avoid federal capital gains tax. We can show you how charitable giving may be one of your best defenses against capital gains taxes.

As stock prices increase, so do the taxes you owe on the capital gain, which are generally charged at a rate of 15 percent (5 percent if you are in the 10 percent tax bracket). But when you donate publicly traded stocks held long term (owned for more than one year) to a qualified charitable organization such as the Jewish Community Foundation of Colorado, you avoid all capital gains taxes. Plus, you may take the full fair market value of the stock gift as a charitable deduction on your income taxes. The maximum deduction you may take within a given tax year for contributions of long term capital gain property is 30 percent of your adjusted gross income. If you are unable to take the entire deduction in one year, you may carry the excess deduction forward for five additional years.

Even if you own stock you wish to keep in your portfolio, giving up the stock and using cash to buy the same stock through your broker provides the same income tax deduction with a new, higher basis in the stock.

If you have stock losses, sell the stock yourself to realize the loss and take the deduction for tax purposes. Then generate a charitable deduction by donating the cash proceeds of the sale to the Foundation.

How Much of Your Estate Will Go to Taxes?

For managing your capital gains, three aspects of the federal tax rate structure are significant.

1. The spread between the top federal tax rate applied to long-term gain and the highest tax rates applied to ordinary income is significant. Long-term capital gains tax rate is 15 percent for most assets (28 percent for some). Current tax rates for ordinary income exceeding specified amounts in each tax bracket are 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, and 35 percent. For taxpayers who fall within the higher tax brackets, long-term capital gains tax is more attractive than ordinary income tax.
2. Both estate and gift taxes are computed using the unified rate schedule, where the rates of tax range from 45 percent up to 47 percent.
3. The tax on generation-skipping transfers of assets is a flat 47 percent. Should you pay capital gains tax now, instead of a higher gift or estate tax later?

Ways to Take Advantage of Your Capital Gains

You can achieve many desirable tax benefits through your philanthropic plans, but there are several non-charitable strategies that should also be considered for reducing your taxable estate.

Tax deferral. There is no taxable gain on appreciation until an asset is sold or exchanged.

Capital losses. Capital losses incurred can offset other taxable income.

Excludable lifetime gifts to others. Gifts to heirs during your lifetime qualify for the gift tax exclusion of \$13,000 per recipient per year (indexed for inflation) or \$26,000 if your spouse joins in the gifts. The recipients, however, inherit the cost basis of the original owners.

Stepped-up basis for heirs. Most appreciating assets held for distribution to heirs in the estate settlement process completely avoid the capital gains tax. If they are part of a taxable estate, however, the unified estate and gift tax will be on the higher appreciated fair market value. In larger estates, this future transfer tax may exceed a current capital gains tax and requires careful analysis.

If such assets remain in the estate, to be transferred to heirs at the stepped-up value at the date of death (or an alternate valuation date six months later), this becomes the new basis for the heirs and reduces their capital gains tax liability when the assets are sold.

Using Gains to Achieve Your Philanthropic Objectives

Income tax charitable deductions have become increasingly significant in reducing taxable income, particularly since tax reform has eliminated many other tax deductions.

When appreciated property held long term (owned more than one year) is used for a charitable gift and the property is otherwise to be sold by the donor for market or other reasons, two tax savings result. First, the donor is entitled to a charitable deduction for the full fair market value rather than the original cost, and second, the donor avoids the capital gains tax. A third, smaller savings results from avoidance of any commission cost which is incurred by a charitable trust.

Whenever income tax deductions for gifts to publicly supported charitable organizations are claimed for gifts of long-term capital gain property, the total of such deductions that can be used in a particular year is limited to 30 percent of the donor's adjusted gross income, rather than the 50 percent annual limitation for cash gifts. For most donors, the total deduction is typically all usable, since it can be carried forward for five years.

Charitable gift options come in many shapes and sizes. We are happy to provide projections of results from any of the following plans that may be of particular interest.

Example of Outright Gift of Capital Gain Property

Bob gives us shares of publicly traded stock he has held for more than one year. Their fair market value (the average of high and low trades for the day of the gift multiplied by the number of shares) is \$12,000; their original cost, \$5,000. His marginal federal income tax rate is 28 percent, and he is not subject to state or local income taxes.

LIFE INSURANCE

When you first bought a life insurance policy, you probably hoped to ensure the financial stability of your family should something happen to you or your spouse. Have your circumstances changed since then?

Life insurance can be a tool with many purposes. For example, it can provide liquidity for paying taxes and other expenses at death. But, believe it or not, some of the most satisfying uses for life insurance policies are connected with charitable giving!

If you have a life insurance policy you no longer need, you might contribute it to a charitable cause in which you believe. Purchasing a new policy and naming Jewish Community Foundation of Colorado as beneficiary is another possibility. Before making a purchase of new insurance, please contact the Jewish Community Foundation of Colorado.

Perhaps you are considering a sizable bequest to the Foundation, provided your family's future inheritance is not affected. Life insurance can play a part in meeting this goal, too, by replacing for your heirs the amount donated.

This versatility of life insurance makes revisiting its uses a good idea, and that's what this information will help you do.

Indirect Use of Insurance for Wealth Replacement

In recent years, probably the greatest increase in using life insurance in philanthropic plans has been to replace for heirs of an estate a value being given, by one means or another, to a charitable organization like the Foundation.

A significant outright charitable gift might reduce the projected value of inheritances for family members. However, depending on the age, health and marginal income tax rate of the donor(s), income tax savings from use of the charitable deduction can be enough to purchase life insurance, whose death benefits equal the value of the gift.

Example: Joan makes a charitable gift of a building that has appreciated in value since she acquired it long ago. She knows that, among other benefits, this allows her estate to realize greater tax savings than if she had bequeathed the building to her children. (She might also have sold the building, but then she would have been forced to pay capital gains tax.) She then purchases life insurance for the benefit of her children, an expense that she would have paid anyway in taxes, had it not been for the charitable deduction she received for her gift to us. Instead of receiving a building, her children will receive cash from the insurance policy—and all of this happens outside the probate process.

If your projected estate is taxable, ownership of life insurance by another person (which also keeps death benefits out of the probated, taxable estate) might also be considered. It's even possible to make annual gifts of the premium amounts to the beneficiary/policy owner and utilize your gift tax annual exclusions.

Gift of an Existing Policy

You may own an insurance policy that has a substantial cash surrender value, yet the original purpose for the protection no longer applies. The policy might have been purchased initially to provide financial security for a spouse now deceased, to educate children now grown or for liquidity to pay death taxes when liquid assets were in short supply. This policy can be a sort of hidden asset, available to be used for your philanthropic purposes.

If you choose to name Jewish Community Foundation of Colorado as the beneficiary of a policy that is not paid up and also assign all incidents of ownership of the policy to us, several good things happen. You receive an immediate income tax charitable deduction for the lesser of the premiums you have paid or the "interpolated terminal reserve" value of the policy. This is similar to the cash surrender value, a figure available from the insurer.

If you itemize deductions on your tax return, your actual income tax savings depends on your marginal tax rate. A person who does not normally itemize may find the additional charitable deduction boosts his or her total itemized deductions above the standard deduction.

For a paid-up policy, the deduction is the cost of replacing the coverage with a comparable policy. In either situation, the tax deduction cannot be greater than your net investment in the policy (total premiums paid less any dividends received).

When death benefits under the policy are removed from a taxable estate, there may be a future estate tax savings if your estate would have otherwise been subject to tax.

If premiums on the policy are still payable, there are two options to be considered. You may stipulate that the assignment of ownership of the policy at its current value is the total charitable gift, immediately available for our use. In that case, we might surrender the policy for cash. Or we might decide to accept an amount of paid-up insurance. In either case, you are relieved of the obligation to make further premium payments.

However, an alternative may be even more attractive. The policy can remain in force so that the larger, original face amount will become your gift. You pledge to make unrestricted gifts at least annually, which we will use to pay the premiums. The gifts are deductible, and the policy is thereby kept in force with pre-tax instead of after-tax dollars for a lower actual cost.

A further potential advantage is to make annual gifts in the form of marketable capital gains property otherwise to be sold, such as appreciated stock. Avoidance of the capital gains tax is a second tax savings, not possible when paying premiums directly to the insurer.

Use of Beneficiary Clause as a Revocable Gift Arrangement

Other options are available if you would rather retain ownership of a policy as an asset for your own financial security or that of others. They include:

- naming the Jewish Community Foundation of Colorado as the only or a partial primary beneficiary of the policy, with the right to change the beneficiary clause as owner of the policy;

- naming us as the contingent beneficiary, receiving the death benefits only if a named individual beneficiary predeceases you;
- creating a separate trust named to receive death benefits, with trust terms providing first for financial support of one or more named individuals for specific terms of years or for life, after which the trust terminates and its assets pass to us;
- naming the Jewish Community Foundation of Colorado as the residual beneficiary of an annuity settlement option available under some policies.

These plans do not produce a current income tax charitable deduction, but they can provide the satisfaction of knowing we will receive some benefits if certain events take place and the arrangement is left unchanged. Any amounts payable to us at your death will not be subject to federal estate tax.

New Policy for Future Charitable Gifts

Many of our friends and regular donors who would like to make a significant future gift to the Jewish Community Foundation at a relatively low cost can do so through a new life insurance policy. With increasing longevity, older persons can now purchase insurance at more affordable premium costs than were possible in the past. Retired individuals enjoying a surprisingly high standard of living can use some annual discretionary income to perpetuate their support of our work, without depleting their financial reserves or reducing the projected inheritances of family members.

In most states, you can enter into a new insurance contract with a qualified charitable organization such as ours as both the beneficiary and owner of the policy. Gifts to the Jewish Community Foundation to cover premiums are deductible for those who itemize and can be in the form of capital gain property for a second tax savings.

Greater leverage is possible when two donors, usually wife and husband, purchase a two-life, second-to-die policy. With two lifetimes before payment of benefits, a desired future gift to us may be obtained for substantially fewer premium dollars. These policies are available even if one spouse is not insurable and are generally more economical than a policy only on the insurable spouse.

A type of insurance sometimes used by charitable donors is a policy for which a specific number of years of premium payments is projected—but not guaranteed—after which the premium payments can be taken from the policy's cash value. It should be kept in mind that the out-of-pocket premium requirement may continue for a longer period than previously projected, or even reappear, if the policy cannot generate the assumed internal return required to keep the policy in force.

Covering premium costs with annual gifts to us for an extra year or two will increase values and lessen the possibility of renewed premium payments or a reduced paid-up amount of benefits. Policies that are not too interest-sensitive should be considered as an alternative.

What About Term Insurance?

Term insurance, such as coverage by a group policy through your employer, has no cash value, so assigning ownership would have no tax advantage.

When term coverage is provided by your employer, the cost attributable to any coverage in excess of \$50,000 may be included in your taxable income. However, if we are the sole beneficiary under the policy, that cost is not included in your taxable income, nor will benefits be part of your estate.

Term insurance can be used to guarantee the payment of a substantial pledge of gifts to us payable over a period of years, without potentially obligating your estate. If allowed by the policy, the term life insurance policy death benefit on you, the donor, can be reduced annually as installments are paid on the pledge, with the policy dropped when the gift is complete.

Creating an Irrevocable Life Insurance Trust

At the beginning of this segment, we discussed the purchase of life insurance as a means of replacing for your heirs the value of a gift to us. We covered situations in which you name the beneficiary as the new owner of the policy. For larger amounts and multiple heirs, an irrevocable life insurance trust (also called a wealth replacement trust) may be preferable as owner of the policy, typically with a bank trust department or trust institution as trustee.

An insurance wealth replacement trust can work well in conjunction with a Charitable Remainder Trust. When you establish a Charitable Remainder Trust, you fund it with assets that will provide you (or another beneficiary) income for life, and then we receive the remainder. Besides the initial income tax deduction for funding the trust and the resulting tax savings, your income from reinvested trust assets is typically improved, and often it's a way to avoid capital gains tax liability. These savings free up money for contributions to the trust to pay insurance premiums.

When the trust ends, its assets pass to Jewish Community Foundation of Colorado, or to more than one charitable organization in accordance with your wishes, without being subject to tax. The life insurance death benefits pass to heirs from the wealth replacement trust untaxed, having previously been transferred as annual gifts to heirs covered by gift tax exclusions, use of credits or reduced gift tax payments.

To avoid a federal gift tax on contributions to the trust to cover premium costs, the insurance beneficiaries can be given a temporary right to withdraw each contribution for their own direct use. These "Crummey powers" (named after a court case) qualify the transfers as present interests that can utilize annual federal gift tax exclusions. While it would thwart the estate plan if the heirs exercised those powers, their right to withdraw may not be restricted orally or in writing.

Find Out More

At this level of family and philanthropic distributions, it is especially critical to have a skilled planning team with expertise in finance, law, taxes and insurance. The benefit of the best advice possible is well worth the cost.

REAL ESTATE

If you've owned your home or other real estate for a long time, no doubt it has increased in value significantly. What happens if you sell the property?

First of all, the sale is subject to capital gains tax on the property's appreciation. If the property has been your main home for at least two of the past five years, you can exclude up to \$250,000 of gain (\$500,000 for married couples). However, this opportunity to avoid capital gains tax doesn't apply if the property is a vacation home, land or any real estate other than your primary residence. Plus, there's the cost of marketing and selling real estate, which also takes time and effort, even if you use professional assistance.

Before you sell real estate, consider a new option. If you'd like to help fulfill our mission, your property opens the door to a unique giving opportunity: donate the property to us. You can give the property outright, place it in trust, retain the use of it for life or give it by will. All of these methods will enable you to enjoy personal financial benefits while supporting our work in a meaningful way.

Let's look at the various federal rules used to figure your tax savings, and apply them to certain kinds of gifts to show how you can benefit.

Tax Benefits of an Outright Gift

When you make an outright gift of real property held for more than a year, you obtain an income tax charitable deduction equal to the property's full fair market value. This deduction lets you reduce the cost of making the gift and frees up cash that otherwise would have been used to pay taxes.

By donating the property to us, you also avoid capital gains tax on the property's appreciation. Furthermore, the transfer isn't subject to the gift tax, and the gift reduces your taxable estate.

Example: Mary gives us a vacation cottage she no longer uses. It originally cost \$50,000 but is now worth \$150,000. She gets a \$150,000 charitable deduction, which represents a tax savings of \$42,000 in her 28 percent tax bracket. And she completely avoids tax on the \$100,000 of appreciation. Now she no longer has to maintain the cottage, and the property won't be taxable in her estate.

Your deduction for a gift of appreciated real estate in any year is generally limited to 30 percent of your adjusted gross income, with a five-year carryover of the unused deduction. If you elect to base your charitable deduction on the cost of the property, this raises your AGI limitation to 50 percent with a five-year carryover, but this has implications for all gifts made during or carried over to that year.

For real estate you've held only short-term, your charitable deduction is limited to the property's cost basis, but there's still no tax on the appreciation. The deduction may be claimed up to 50 percent of your adjusted gross income, again with a five-year carryover for any excess value.

Your gift is usually effective when a properly executed and notarized deed, suitable for recording, is delivered. The amount of your deduction for a gift of real estate (if more than \$5,000) must be substantiated by a qualified appraisal of its fair market value.

Give Your Home, But Enjoy Life Use

Let's assume you like the tax advantages a charitable gift of real estate would offer, but you want to continue living in your personal residence for your lifetime. You'd like to retain the right to rent your house or make improvements. You may also want a survivor (perhaps your spouse) to enjoy life occupancy. But, ultimately, you'd like for a charitable organization to receive the property.

By deeding your home to us now, subject to all these rights, you can still obtain valuable tax savings. This arrangement is called a retained life estate. Even though the non-profit would not actually take possession of the residence until after the lifetimes of the tenants you've named, you receive an immediate income tax charitable deduction because the gift cannot be revoked. The amount of the deduction depends on the value of the property and your age (and the age of any other person given life use).

Setting up a retained life estate through us is possible if you want someone other than a spouse to have use of the property after your lifetime. Leaving a home to a spouse through a will or some form of joint ownership generally does not result in a federal estate tax under current laws. However, if you want one of your children or a relative or friend to live in the home after your lifetime, you may find that estate taxes will have to be paid to leave the property to that person.

With this kind of gift, you retain the rights and responsibilities of ownership—other than disposing of the property after your death. That is, you may continue to live as you have with no interference from the Jewish Community Foundation of Colorado. You may even decide to move out temporarily or permanently. Should you rent the home, all of the rent belongs to you.

You can make a retained life estate arrangement with any personal residence, including a farm, vacation home, condominium or stock in a cooperative housing corporation (if it's used by you). A farm may include acreage with or without a house.

Obtain a Life Income From Your Gift

Instead of making an outright gift of real property or establishing a retained life estate, you can use unmortgaged property to fund a qualified Charitable Remainder Trust. Once the property has been transferred to the trust, the trustee can then sell it and invest the proceeds in income-producing securities, which become the source for lifetime income payments to you and any other recipient you name. When the trust terminates, we receive the remainder (without exposure to estate taxes when spouses are the only income beneficiaries).

If you itemize, you will benefit from a substantial current income tax deduction. The amount of the deduction is determined by your age when the trust is created, the value of the trust assets, and the annual percentage or amount to be paid to you. And when you transfer appreciated property, you won't pay any tax on the capital gain.

Tax Savings for Partial Use

Say you have a home you don't occupy year-round. You can make a deductible gift to us of an undivided interest, allowing us exclusive use of the property for part of each year.

A vacation home can be ideal for this purpose. For example, you could give us a half interest. You would continue to use the property for six months of each year while we, as half owner, would use it for the remaining six months. You receive an income tax deduction for the fractional interest contributed to us, based upon its market value. That interest will also escape estate taxes.

You can also give the Jewish Community Foundation of Colorado a remainder interest in the part of the property you retain. Then you receive an additional income tax deduction, based on your age and other factors.

Bargain Sale Tax Benefits

You can sell long-term appreciated real estate to us for less than its value, subject to our consent. This transaction is part gift and part sale. You receive a charitable deduction for the difference between the sale price and the higher fair market value.

Example: Ellen sold the home she purchased many years ago for \$30,000 to a philanthropic institution for the same amount, even though it was really worth \$90,000 at the time of the sale. Her charitable contribution is \$60,000 (\$90,000 fair market value less \$30,000 sale price).

Ellen does incur a capital gain in this type of transaction, but it's much less than for a sale at full market value. She is treated as having sold one-third of the property, so one-third of the \$30,000 basis, or \$10,000, is allocated to the sale portion. Therefore, she has a gain of \$20,000 (\$30,000 received from the sale less \$10,000 basis attributable to the sale portion). However, \$40,000 of the appreciation attributable to the gift escapes taxation. Plus, she receives a \$60,000 charitable deduction.

A bargain sale accomplishes the gift and provides you with immediate cash, while also relieving you of the time, effort and costs of a normal sale.

Keeping Mineral Rights When Giving Real Estate

You can make a partially deductible gift of your entire interest in certain real estate, reserving the right to subsurface minerals and the access to them (but not surface mining rights).

However, there's an important restriction. Your contribution must be to a qualified organization and exclusively for conservation purposes. Otherwise, you won't receive an income, estate or gift tax deduction. Conservation purposes include public outdoor recreation and scenic enjoyment, protection of plant and wildlife habitats, and preservation of historic structures and land.

Giving Real Estate Through Your Will

If making an irrevocable gift of the property through one of the options we've discussed is not to your liking, consider giving it to us in your will. Because your will is revocable (that is, you can change your mind at any time during your life), you will not be able to take an income tax deduction, but the property will not be taxed in your estate.

If you wish, you can give another person life use before unrestricted ownership passes to us. Or you can bequeath full title to an individual if that person survives you, with our organization as the contingent recipient. When an individual is given life use, it is best to make it clear that he or she is responsible for maintenance, insurance, repairs and improvements.

If you don't need to make a new will now for any other reason, ask your attorney to draw a brief codicil for this purpose.

Suitable Property to Donate

Agricultural land tends to return a low percentage of its market value. This is especially true of absentee-owned land, where the owner's profit is often reduced by tenant shares and farm manager's fees. Also, the profitability varies, depending on the weather and commodity markets, making this type of land suitable for a charitable gift in exchange for a life income arrangement.

Real property, such as vacant land, has a cost of ownership (property taxes and insurance, for example) with no offsetting return. And a vacation home that is no longer used enough to justify the investment, costs and responsibilities may be suitable as a gift.

Also, not all property automatically rises in value. An older commercial building in a declining neighborhood may be worth as much to the donor currently, in terms of the charitable income tax deduction from an outright gift, as it is likely to be worth in the future estate. Or it may be used to fund a Charitable Remainder Trust paying an income for life. And developed investment or commercial property may provide significant capital gains tax savings when used to make a gift and avoid potential depreciation recapture as well.

A Summary of the Benefits

A charitable gift of real estate is advantageous for many reasons.

- Either an outright gift or a remainder interest results in valuable income and estate tax deductions, and tax on the capital gain can be avoided.
- A "bargain sale" to us gives you some money back and reduces your capital gains tax exposure.
- A gift in your will assures that the value of the property will qualify for a charitable deduction for estate tax purposes.
- Giving us outright use of the property now will free you from the responsibilities and costs of looking after it.

Find Out More

You create a tangible and enduring testimonial of your interest in our goals when you give your home or other real property. It's one of the most fitting contributions you can make. Your personal satisfaction is complemented by significant tax benefits. Please do not transfer real property to us, however, without our involvement.

Ways to Give



CHARITABLE BEQUESTS

By leaving a bequest of a specific amount of cash, a percentage of your estate, or the remainder of your estate, you can create a permanent legacy. There's no limit on the amount you may set aside from your estate—you may make a gift as large or as small as you'd like. You may choose to make a gift of cash, securities, or other property—and your estate will receive a tax deduction in the amount of your charitable bequest. If you have already drafted your will, your attorney can help you arrange a charitable bequest with a simple amendment or codicil.

Various Bequest Options

Here are eight generally accepted ways to make a bequest. You might discuss them with your attorney as you prepare to update your will.

1. **Specific bequest.** This is a gift of a specific item to a specific beneficiary. For example, "I give my golf clubs to my nephew, John." If that specific property has been disposed of before death, the bequest fails and no claim can be made to any other property. (In other words, John wouldn't receive the value of the golf clubs instead.)
2. **General bequest.** This is usually a gift of a stated sum of money. It will not fail, even if there is not sufficient cash to meet the bequest. For example, "I give \$50,000 to my daughter Mary." If there is only \$2,500 cash in the estate, other assets must be sold to meet the bequest.
3. **Contingent bequest.** This is a bequest made on condition that a certain event must occur before distribution to the beneficiary. For example, "I give \$50,000 to my son, Joe, provided he enrolls in college before age 21." A contingent bequest is specific in nature and fails if the condition is not met. (A contingent bequest is also appropriate if you want to name a secondary beneficiary, in case the primary beneficiary doesn't survive you.)
4. **Residuary bequest.** This is a gift of all the "rest, residue and remainder" of your estate after all other bequests, debts and taxes have been paid. For example, you own property worth \$500,000, and you intend to give a child \$50,000 by specific bequest and leave \$450,000 to a spouse through a residuary bequest. If the debts, taxes and expenses are \$100,000, there would only be \$350,000 left for the surviving spouse. Rather, you should divide your estate according to percentages of the residue (rather than specifying dollar amounts) to ensure that your beneficiaries receive the proportions you desire.

The previous items can apply in the case of bequests to individual heirs or bequests to charitable organizations.

The following items are special considerations when you plan a charitable bequest to help support the mission of the Jewish Community Foundation of Colorado.

5. **Unrestricted bequest.** This is a gift for our general purposes, to be used at the discretion of our governing board. A gift like this—without conditions attached—is frequently the most useful, as it allows us to determine the wisest and most pressing need for the funds at the time of receipt.

6. **Restricted bequest.** This type of gift allows you to specify how the funds are to be used. Perhaps you have a special purpose or project in mind. If so, it's best to consult us when you make your will to be certain your intent can be carried out.
7. **Honorary or memorial bequest.** This is a gift given "in honor of" or "in memory of" someone. We are pleased to honor your request and have many ways to grant appropriate recognition.
8. **Endowed bequest.** This bequest allows you to restrict the principal of your gift, requiring us to hold the funds permanently and use only the investment income they generate. Creating an endowment in this manner means that your gift can continue giving indefinitely.

CHARITABLE GIFT ANNUITY

A Charitable Gift Annuity serves as an attractive alternative to many low yield investments and offers several financial and philanthropic benefits.

The concept of the Charitable Gift Annuity in America dates back to 1843, when a merchant in Boston first donated a gift of money to the American Bible Society in exchange for a flow of income. Today, the concept includes valuable tax benefits for donors. But perhaps more valuable than the financial advantages is the satisfaction donors gain by helping to continue the mission and good works of the Jewish Community Foundation of Colorado.

Gift Annuities Defined

A gift annuity is a simple, contractual agreement between a donor and the Jewish Community Foundation of Colorado in which you transfer assets to us in exchange for our promise to pay one or two annuitants payments for life.

By donating through a gift annuity, you: (1) contract for a fixed payment for yourself or yourself and another individual, if you choose, and (2) make a gift to the Jewish Community Foundation of Colorado. If you itemize deductions on your tax return, savings from the charitable deduction reduce the net cost of the gift.

For a period of years, based on a government table of life expectancies, a portion of each payment received is considered a nontaxable return of your investment in the gift. This further increases your after-tax dollars available for spending or investing.

An annuity funded with appreciated property results in these additional advantages: (1) the gain allocated to the gift portion completely avoids the capital gains tax, and (2) the portion of gain to be recognized can be spread over the expected term of the contract (provided that the donor is a primary annuitant and the annuity interest is assignable only to the charitable organization).

With a deferred payment gift annuity, the start of payments is delayed until a specific date, initially determined by the donor. Deferral of payments increases the initial income tax charitable deduction, tax savings and the annuity rate. However, it also reduces the nontaxable amounts to be received. This option is appealing to younger donors who wish to improve future income, such as at retirement.

Understanding Annuity Rates

Annuity rates are higher for older annuitants and lower for younger annuitants, based on life expectancy. As a result, gift annuity contracts are generally more appealing to older donors because the purchasing power of a fixed dollar return can shrink over any long period, even with modest inflation.

Rates are also adjusted according to the number of annuitants, with rates for two-life contracts often lower due to the extended life expectancy. The age of an annuitant is the age reached at the nearest birthday when the contract is made, and rates are the same for men and women.

A specific annuity rate is a matter of agreement between the donor and the issuing charitable organization. Below you'll see how one-life annuity rates increase with age. These rates are recommended by the American Council on Gift Annuities and are redetermined periodically. Check with the Jewish Community Foundation of Colorado for current rates.

Note: Please be advised that not all organizations offer CGAs at the above ages and rates and that CGAs are not available in all states. Contact the Jewish Community Foundation of Colorado for specific information.

A Case Study of Benefits

Linda, age 75, plans to donate a maturing \$25,000 certificate of deposit. Since she needs continuing income, Linda decides to use the cash for a one-life Charitable Gift Annuity that we will issue at the suggested rate of 7.1 percent. Payments will be made quarterly. At the time of purchase, the charitable midterm federal rate (a figure used in calculating the charitable deduction) is 4.6 percent.

Although Linda's annuity rate is 7.1 percent, her actual earnings will be higher. Because Linda itemizes income tax deductions, she earns a federal income tax charitable deduction of \$10,742. With a marginal income tax rate of 28 percent, the tax savings of \$3,008 will reduce the net cost of the gift to \$21,992. Her annual payments of \$1,775 will mean an effective rate of total return of 8.1 percent, which is Linda's annual payment expressed as a percentage of the net cost. Secondly, for the next 12.4 years, more than half of every dollar Linda receives will be considered a return of her investment in the contract and will not be subject to tax.

CHARITABLE LEAD TRUST

When people think about providing an inheritance to children and making a significant charitable gift through their estates, a vehicle known as the Charitable Lead Trust is an excellent method to accomplish both objectives.

A Charitable Lead Trust is a trust that the asset owner establishes either during life (an inter vivos trust) or at death (a testamentary trust). The income from the trust flows to a charitable organization, like the Jewish Community Foundation of Colorado, typically for a stated number of years. After that period, the assets inside the trust are then distributed. The fact that the assets will one day be transferred to another person means that this trust has one further distinction: the trust assets are not owned by the person who established the trust, and the assets are not going to be returned to him or her someday. The donor is not subject to current taxation on the assets.

The Tax Benefits

Of all the charitable vehicles available to donors, the Charitable Lead Trust is among the most complex. However, a Charitable Lead Trust does offer the advantage of providing excellent tax benefits to the estate owner.

Let's take a look at an example of how the trust works. Assume the following facts. A person transfers \$1 million to a Charitable Lead Trust from which the Jewish Community Foundation is to receive \$50,000 each year for 20 years. That amount is either a fixed dollar amount or a percentage of the trust value as it is determined each year. This means that the Jewish Community Foundation of Colorado will receive \$1 million over a 20-year period, a wonderful gift for the Jewish Community Foundation of Colorado. At the end of that time, the assets in the trust, which may or may not have grown in value, are then distributed (in our example) to a child (or even a grandchild with extra planning).

How does this gift impact the donor? If the trust is a grantor trust for tax purposes, the donor gets an income tax deduction for the gift of the income interest to charity, but the donor must include the trust's income in his personal income. Thus, the donor essentially recaptures the charitable income tax deduction received when the trust was created. If the trust is not a grantor trust for tax purposes, the donor receives no income tax deduction for the transfer to the trust, and the donor does not have to include the trust income in his or her personal income.

In either case, the donor may have to pay a gift tax for the privilege of establishing a Charitable Lead Trust. When the trust is established, the IRS requires a calculation to be made to determine the present value of the amount going to the remainder beneficiary (in our case, the donor's child). Let's say that the value of the remainder interest, based on the data we have assumed, is \$400,000. If the donor is in the 47 percent marginal level, the gift tax due on establishing the trust could be nearly \$200,000. Not a good deal. Or is it?

A Look at the Issues

When the trust is established, the gift tax paid is the only gift tax that will ever be due on that transfer. As far as the IRS is concerned, the gift to the remainder beneficiary is being made on the day the trust is created, not in 20 years. Now, consider the possibility that the value of the trust has grown over the years, which is highly likely. And, let's say the value

of the trust is ultimately \$3 million. This means that the remainder beneficiary (the donor's child) will receive \$3 million and no tax is due. If the trust assets had been transferred by the estate of the donor at that time, the estate tax at the 47 percent rate would be \$1.41 million, far more than the \$200,000 (even in inflation-adjusted terms) paid in gift tax 20 years earlier. Further, during that time, the Jewish Community Foundation of Colorado has an annual income from the trust of \$50,000.

CHARITABLE REMAINDER TRUST

Choosing a Charitable Remainder Trust is a little like shopping for a new car - the right one depends on your personal needs. Luckily, CRTs come in five variations. We can help you and your professional advisors decide the method that will work best for you.

1. **Annuity trust.** This type of trust pays you a fixed dollar amount, which works well if you want reliable income.
2. **Standard unitrust.** A unitrust pays you a variable amount equal to a stated percentage of the net fair market value of the trust assets as recalculated yearly, providing a possible hedge against inflation.
3. **“Net income with makeup” unitrust.** This type of trust pays you only the trust’s actual income if it is less than the stated percentage of the market value of the trust’s assets (as recalculated yearly). Any deficiency, however, is made up in later years if the trust income exceeds that percentage, an effective method to build retirement income.
4. **“Net income with no makeup” unitrust.** You receive the trust’s actual income or a fixed percentage of market value (as recalculated yearly), whichever is less. Deficiencies are not made up. This plan works well in double-digit interest rate environments.
5. **Flip unitrust.** Set up as either of the last two types, this trust converts to a standard unitrust on a triggering event, such as the sale of an “unmarketable” asset used to fund the trust. Consider this trust if you are making a gift of real estate.

Which Is Better: Annuity Trust or Unitrust?

Whether you choose an annuity trust or a unitrust depends primarily on your economic outlook. With an annuity trust, you receive the same fixed amount each year that you choose at the beginning. This is advantageous when you want to be certain of the dollars you’ll receive. If you’re concerned about the possibility of recessionary times and falling market values, the annuity trust has greater appeal. Although you can’t add to this annuity trust later in order to increase your income, you can always create a new trust for that purpose.

In comparison, a unitrust may be a hedge against inflation. If you foresee economic growth resulting in appreciation of the trust’s assets, you’ll favor a unitrust. The valuation can rise or fall, but over time a well-managed unitrust may offer better protection of your purchasing power than fixed dollar payments. A further advantage is that if you want to enlarge the trust later, you can make additional contributions without the cost of creating and administering more than one trust.

Marvelous Tax Benefits

Now look at the major and wide-ranging tax savings you can realize when you create a Charitable Remainder Trust.

First, when you fund the trust, you immediately obtain the benefit of a sizable income tax charitable deduction. This is equal to the present value of the remainder interest ultimately payable to the Jewish Community Foundation of Colorado, based on Internal

Revenue Service tables of life expectancy factors. The older the beneficiary, the greater the charitable deduction.

You can fund your Charitable Remainder Trust with cash, securities or other property. Highly appreciated assets that generate low current income are an ideal funding medium. While you'd be reluctant to sell such assets directly because of the tax you would pay on the gain, you can transfer them to the trust without incurring the capital gains tax. The trust could sell the assets without incurring any tax and then reinvest the proceeds in order to secure a higher current income yield.

Perhaps over the years your personal investments have grown handsomely, but you now realize that their yield is grossly inadequate. Unfortunately, if you sell and reinvest in higher yielding securities, you'll lose part of your gain to taxes.

The answer? Transfer your appreciated securities to a Charitable Remainder Trust. In return for your gift, you might get an income two to four times greater than the current dividend from the typical growth stock.

Example:

Elizabeth, aged 75, owns several stocks with a market value of \$100,000, but they pay dividends of only \$2,000 a year, or 2 percent of market value. She decides to transfer these securities to a charitable remainder annuity trust that will pay her \$7,000 a year, increasing her gross income by \$5,000.

If Elizabeth sold her stocks instead, she would pay an enormous tax on her capital gain. Their cost basis is \$30,000, compared to the current market value of \$100,000, resulting in a gain of \$70,000. At a federal capital gains tax rate of 15 percent, the tax would be \$10,500. This would leave her with only \$89,500 to reinvest, so she would have to find stocks that pay a dividend of more than 8 percent to receive the same \$7,000 her trust can pay her.

DONOR-ADVISED FUNDS

Gone are the days when only people with millions of dollars and names like Rockefeller, Kennedy or Gates could establish family foundations from which to spread their wealth. Now mainstream Americans with a fraction of the resources can take an active role in benefiting their communities through Donor-Advised Funds. These funds are usually created through community foundations and, increasingly, public charities. Their purpose is to allow you a voice on how your donation will be managed and distributed, while avoiding the expense and regulation of a family foundation. The key word in a Donor-Advised Fund, however, is advice. In order for you to enjoy all the tax benefits of a gift to a charitable organization, the gift must be “complete,” meaning you relinquish control. Thus, the donor may have the privilege of making recommendations as to how the money is invested and distributed, but the charitable organization makes the final decisions.

Advantages to Consider

Simplicity, convenience and flexibility are key benefits of a Donor-Advised Fund. Contributors to these funds might, for example, choose from a dozen programs, ranging from affordable housing to art exhibits. This arrangement is particularly attractive for people who don't have the time to research which programs to support and who can benefit from the administrative expertise of the fund staff.

Another advantage of a Donor-Advised Fund is that you can separate the timing of your gift from your recommendations for its use. In other words, you could make a gift this year and receive the charitable deduction on your income taxes, but reserve an opinion on how your contribution will be used until sometime in the future.

By investing in a Donor-Advised Fund, you can watch your contributions grow over time and make helping others a long-term commitment.

RESTRICTED ENDOWMENT FUNDS

When you create a Restricted Endowment Fund, you are establishing a permanent fund in your name or in the name of someone you wish to honor or remember. You may specify how the spendable portion of the fund should be used—for unrestricted use by the Jewish Community Foundation of Colorado, or to support a specific cause such as Jewish Day School Scholarships; programs at Jewish Community Centers; cash grants to meet the essential needs of the Jewish poor, or rescue and resettlement efforts in Israel, the former Soviet Union and other countries around the world.

An irrevocable gift of cash, appreciated securities or other property can be used to establish a fund in your name. Other assets you may use to create your endowment fund include life insurance, Charitable Remainder Trusts, charitable gift annuities and retirement accounts (e.g. IRAs). And, you have the option of establishing a Restricted Endowment Fund either during your lifetime or through your estate plan.

This type of gift offers many benefits. If you give during your lifetime, you will receive a charitable income tax deduction; if you make the gift through your estate plan, it is your estate that receives the benefit. Perhaps most important, however, is the enduring nature of a gift of a Restricted Endowment Fund. You may use the fund to honor or remember a loved one, and the fund will perpetuate your family name long beyond your lifetime.

Restricted Endowment Fund Example

Sue Steinberg's will provides for a \$1 million gift to the Jewish Community Foundation of Colorado and provides for the payment of \$50,000 per year to her favorite Jewish Day School to be used for scholarships.

The permanent legacy you create may provide a necessary source of unrestricted funds to help meet the current critical needs of the community. Or, the endowment you establish may provide permanent resources to aid identified programs, projects, agencies, organizations or initiatives that are of particular interest to you and your family.

SUPPORTING FOUNDATIONS

A Supporting Foundation provides a unique vehicle for you to involve your family or others you trust in the covenant of philanthropy. It functions very much like a private family foundation, but because it is aligned with the Jewish Community Foundation of Colorado, you receive additional tax considerations that would not be available with a private foundation.

You have the option of contributing cash, appreciated assets, or non-readily marketable assets to establish a Supporting Foundation. No capital gains taxes are incurred when gifts of appreciated assets are made and they are deductible at their full fair market value.

Unlike private foundations, there is no excise tax on net investment income. Supporting Foundations are not subject to the restrictions on investments and minimum distribution requirements of private foundations, and when large contributions are made, allowable income tax deductions are more liberal.

Each Supporting Foundation is separately incorporated and has its own board of trustees made up of individuals whom you select, as well as members selected by the Jewish Community Foundation. Because both groups of trustees continue to elect their own successors, a Supporting Foundation exists in perpetuity, providing significant means of involving your family in Jewish philanthropy for generations.

Your Supporting Foundation will have access to the Jewish Community Foundation's research on community needs, as well as its assistance in selecting grant recipients. Through the Jewish Community Foundation's Family Philanthropy Initiative, you will also have access to the latest research and information on best practices in philanthropy at the national and international level as well as special programs, seminars and other resources to help your family become more strategic and focused in its charitable pursuits.

Grants may be made to any 501(c)(3) charitable organization that fits within the broad purposes of the Jewish Community Foundation, both domestically and overseas.

Jewish Community Foundation Specific Products



COMMUNITY ANNUAL CAMPAIGN ENDOWMENT (CACE)

A Community Annual Campaign Endowment (CACE) is a permanent fund dedicated to endowing your annual gifts to specific community agencies, organizations, synagogues or programs of your choice.

You may create your CACE gift through a variety of vehicles, some of which provide your estate with considerable tax benefits without the requirement that you contribute during your lifetime. These options allow you to perpetuate your commitment to the community agencies, organizations, synagogues or programs that are closest to your heart in a way that best achieves your personal financial and estate planning goals.

To determine the estimated amount you need to endow your CACE gift, simply multiply your current annual gift to a specific agency, organization, synagogue or program by 20. Alternatively, you may endow a portion of your gift by establishing a CACE fund with a lesser amount, perhaps building up the fund through subsequent contributions.

CACE Example

David Stein provides for \$500,000 to be given to the Jewish Community Foundation from his estate upon his death. The codicil in his will instructs the Jewish Community Foundation to create the David Stein CACE and to make the following distributions annually:

Jewish Community Foundation of Colorado: \$5,000
Colorado Agency for Jewish Education (CAJE): \$5,000
Hillel of Colorado: \$5,000
Jewish Family Service of Colorado: \$5,000
Shalom Park: \$5,000
Total Annual Community Distribution: \$25,000

There are several ways to fund your CACE.

Gift of Cash/Assets

An outright gift of cash or appreciated assets like stocks or bonds is the easiest way.

Bequest

A simple bequest or codicil to your will is the most common technique for creating a CACE.

Gift of Life Insurance

A gift of a life insurance policy to the Jewish Community Foundation is particularly appealing for younger donors because of its reasonable cost and tax benefit.

Gift of IRA or Retirement Plans

IRA and retirement plans are subject to high income and death taxes. That makes them ideal for transfer in whole or in part to the Jewish Community Foundation to create a CACE.

Life Income Plan

A Charitable Remainder Trust or Charitable Gift Annuity offers life income payments to the donor with the benefit of a current tax deduction. The remainder of the trust or annuity can be used to create a CACE.

Of course, there are additional funding vehicles available for you. Our endowment professionals and your financial or estate planner can help you select the vehicle best suited for your needs.

LION OF JUDAH ENDOWMENT (LOJE)

Establishing a Lion of Judah Endowment (LOJE) allows a woman to endow her unrestricted gift to the Allied Jewish Federation of Colorado's annual community campaign in perpetuity. Through simple, innovative steps, an endowed gift is within the reach of a Lion of Judah, regardless of her age or giving level.

The Or L'Atid flame, attached to the Lion of Judah pin, signifies to the world a woman's commitment to the continuation of Jewish life. Donors creating LOJE funds with a minimum of \$100,000 are recognized by membership in the LOJE Honor Roll. Gifts of at least \$200,000 are also recognized by membership in the Star of David Society, a United Jewish Communities' national endowment recognition program. A LOJE gift can be made with little or no cost to the donor.

The strength and vitality of women's giving continues through the LOJE – enabling women to leave a legacy to help create social justice, heal the sick, preserve human dignity and provide Jewish education and Jewish growth for all.

There are several ways a woman may establish a LOJE.

Gift of Cash/Assets

An outright gift of cash or appreciated assets like stocks or bonds is the easiest way.

Bequest

A simple bequest or codicil to your will is the most common technique for creating a LOJE.

Gift of Life Insurance

A gift of a life insurance policy to the Jewish Community Foundation is particularly appealing for younger donors because of its reasonable cost and tax benefit.

Gift of IRA or Retirement Plans

IRA and retirement plans are subject to high income and death taxes. That makes them ideal for transfer in whole or in part to the Jewish Community Foundation to create a LOJE.

Life Income Plan

A Charitable Remainder Trust or Charitable Gift Annuity offers life income payments to the donor with the benefit of a current tax deduction. The remainder of the trust or annuity can be used to create a LOJE.

Of course, there are additional funding vehicles available for you. Our endowment professionals and your financial or estate planner can help you select the vehicle best suited for your needs.

PERPETUAL ANNUAL CAMPAIGN ENDOWMENT (PACE)

A Perpetual Annual Campaign Endowment (PACE) is a permanent fund dedicated to endowing your unrestricted annual community campaign gift to the Allied Jewish Federation of Colorado. A PACE gift is not intended to take the place of any part of an annual gift—it is instead, a lasting legacy that will continue to make an unrestricted annual gift to the campaign in perpetuity on your behalf.

You may create your PACE gift through a variety of vehicles, some of which provide your estate with considerable tax benefits without the requirement that you contribute during your lifetime. These options allow you to perpetuate your commitment to the Allied Jewish Federation of Colorado's annual community campaign in a way that best achieves your personal financial and estate planning goals.

To determine the estimated amount you need to endow your PACE, simply multiply your current annual campaign gift by 20. Alternatively, you may endow a portion of your gift by establishing a PACE fund with a lesser amount, perhaps building up the fund through subsequent contributions. Donors creating PACE funds with a minimum of \$200,000 are recognized by membership in the Star of David Society, a United Jewish Communities' national endowment recognition program.

There are several ways to fund your PACE:

Gift of Cash/Assets

An outright gift of cash or appreciated assets like stocks or bonds is the easiest way.

Bequest

A simple bequest or codicil to your will is the most common technique for creating a PACE.

Gift of Life Insurance

A gift of a life insurance policy to the Jewish Community Foundation is particularly appealing for younger donors because of its reasonable cost and tax benefit.

Gift of IRA or Retirement Plans

IRA and retirement plans are subject to high income and death taxes. That makes them ideal for transfer in whole or in part to the Jewish Community Foundation to create a PACE.

Life Income Plan

A Charitable Remainder Trust or Charitable Gift Annuity offers life income payments to the donor with the benefit of a current tax deduction. The remainder of the trust or annuity can be used to create a PACE.

Of course, there are additional funding vehicles available for you. Our endowment professionals and your financial or estate planner can help you select the vehicle best suited for your needs.

COLORADO B'NAI TZEDEK TEEN PHILANTHROPY PROGRAM

Today's teens are looking to give back to their communities... and stay connected after they become Bar and Bat Mitzvah.

Now the Jewish Community Foundation, in partnership with the Colorado Agency for Jewish Education (CAJE), is helping them do just that through the B'nai Tzedek Teen Philanthropy Program. Established by the Harold Grinspoon Foundation in Western Massachusetts, B'nai Tzedek has already been successfully adopted in 22 Jewish communities nationwide.

In Colorado, this exciting program will help local teens take charge of their charitable giving for life by providing them with hands-on experience in philanthropy. In so doing, they will become lifelong Jewish philanthropists equipped with valuable skills and knowledge as well as connections to Jewish communal organizations around the corner, around the country and around the world.

Through B'nai Tzedek, participants will establish their own Donor-Advised Funds in support of charitable organizations. During the program, they will learn about Jewish values and the importance of Jewish giving as well as network with their fellow philanthropically-minded peers in Colorado and across America.

How B'nai Tzedek works:

Jewish teens in Denver and Boulder will each be offered matches of up to \$250 to create Donor-Advised Funds in their own names. These funds will be established and housed at the Jewish Community Foundation.

CAJE will provide trained and talented B'nai Tzedek program directors to guide every aspect of the programs in Denver and Boulder.

Keeping teens connected after their Bar and Bat Mitzvah is the best investment our community can make in its future. The B'nai Tzedek Teen Philanthropy Program makes it possible. Please join us in this exciting and important initiative!