LIFESTYLEGIVING

YOUR GUIDE TO CREATING A LIFESTYLE OF GIVING

YEAR-END GIVING STRATEGIES

Prepared for you by:

AMG INTERNATIONAL
6815 Shallowford Road
Chattanooga, TN 37421
423.894.6060

HOW TO MAXIMIZE YOUR YEAR-END GIVING

How to Maximize Your Year-end Giving

An ideal time to plan

Those who desire to give realize that it takes more than desire, it also takes planning. In addition to making sure that the ministry you are supporting is worthy to receive your gift and is using your gift properly, you should also consider:

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

Year-end is an ideal time to plan to maximize your gifts this year, as well as establish a giving program for next year.

Year-End Giving Strategies

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

Giving Appreciated Property

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

Example: You own securities valued at $10,000, for which you originally paid $4,000. If you sell the securities, you will have a $6,000 capital gain, resulting in a tax of $1,320 assuming a 22% combined federal and state tax bracket.

If instead of selling the securities, you use them to fulfill your giving desires, you not only avoid the $1,320 capital gains tax, but you receive a charitable deduction for the full $10,000. In a 35% combined federal and state income tax bracket, this will save you an additional $3,500 in taxes.

Sell Securities That Have Decreased in Value

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

When you make the gift of the proceeds, you still receive an income tax charitable deduction for the full value of your gift.

Next Year's Tax Bracket Will be Lower

If you are expecting a reduction in your income next year, and are in a higher tax bracket now, there are two additional strategies to consider.

Prepay Contributions

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

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

Gifts from Individual Retirement Accounts

During the past several years, it has been possible to make gifts directly from individual retirement accounts to charity, without tax implications.

At the time of this writing, a direct gift from an individual retirement account to a charitable organization in 2015 will create a taxable event. However, such a gift may still provide a viable option for your charitable giving.

If you withdraw retirement assets, recognize the income and make a charitable gift, your gift will create a current income tax charitable deduction. This deduction, equal to the full value of the gift, can be used to offset the tax payable.

While this does not present a definite tax advantage, if you have excess assets in your IRA's it is a concept which you may wish to consider to fulfill your giving plans.

Creating a Tax Deduction Through an Income Trust

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

You place assets in a trust designed to pay income to charity. You determine the amount of income you wish for the ministry to receive, and the number of years you wish for it to be paid. At the end of the trust period, the principal of the trust is returned to you.

If the trust is properly designed, you can take an income tax charitable deduction this year for the current value of your future income gifts.

Example: If you placed assets into a trust designed to pay income of $10,000 a year for the next five years to a charity, you could take an income tax charitable deduction of approximately $47,000 this year. And at the end of five years, the assets will be returned to you.

The trust must be properly designed so that future income payments to charity will not be taxable to you.

Guaranteeing Future Gifts Through a Specially Designed Gift Agreement

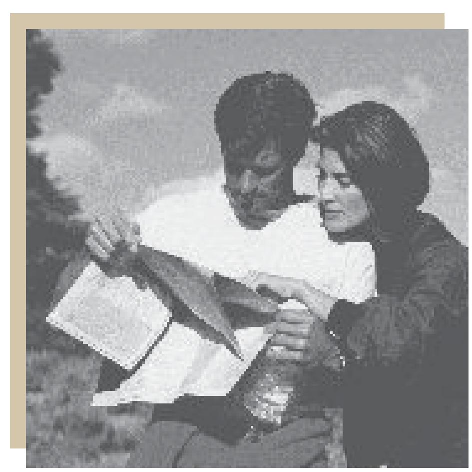
Another way to create a tax deduction this year for a future gift is to guarantee that gift by transferring the property to a charity, retaining the benefit from the property for your lifetime or for a period of years.

If you guarantee today that a charity will receive property at some time in the future, you will receive an income tax charitable deduction this year.

Your gift can be:

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

It may even be possible to increase your income. If the property you transfer is highly appreciated or



produces a very low income, the transfer can be to a trust. The trust can sell the property, without payment of capital gains tax, and invest the proceeds in a higher income-producing investment. This can result in a considerable benefit to you.

Example: You purchased securities for $40,000, which have appreciated to a current value of $100,000. Your securities are currently paying a 3% dividend. However, if you sold the securities, you would pay a capital gains tax of $13,200 (in an assumed 22% combined federal and state capital gains tax bracket), leaving $86,800 of your $100,000 value to reinvest.

If instead of selling the securities, you transfer them to a special charitable trust designed to pay you 6% income each year, you will double your income. And you avoid the $13,200 tax on the appreciation. In addition, you receive a substantial income tax charitable deduction at the time of the transfer, based upon your current age.

Tax Rules Governing Your Charitable Donations

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

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

Planning the Type of Gift To Make

Cash

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

Gifts from Retirement Accounts

While gifts from individual retirement accounts cannot be made directly to a charitable organization this year, without creating a taxable event, they may still provide a viable option for your charitable giving.

Timing is very important. You want to make certain that there is sufficient time for your account custodian to process your request, allowing you time to complete your gift.

Gifts of Appreciated Property

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

There will be no tax payable on the capital gain and your income tax charitable deduction will be for the full fair market value of the property.

Timing your gift of securities is important. If the securities are sent directly to the charity or delivered to the charity's broker, the valuation and your deduction will be based on the date of the transfer.

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

Gifts of Life Insurance

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

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

Gifts With Retained Benefits

It is also possible for you to make a contribution to a charity and receive an income tax charitable deduction, even though you retain income from the property you transfer.

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

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

We will be happy to further explore these opportunities with you.

Gifts of Tangible Personal Property

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

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

Gifts from Businesses

If you own your own business, you can receive a charitable deduction for contributions up to 10% of the corporation's taxable income.

Your gifts can be of cash, inventory, equipment or crops. Many businesses find that contributions other than cash are more convenient to make.

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

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

If your business is a partnership or LLC, a gift of business interest may provide significant tax benefits.

Why Consider Year-End Charitable Gifts?

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

But you give as a part of your lifestyle, your personal commitment. And you give because you care about and want to help us fulfill our mission.

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

In Conclusion

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

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

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

Note:The information in this planning report is of a general nature only, and should not be interpreted as legal advice. The illustrations in this memorandum were calculated using a 2.2% mid-term AFR rate. The rate in effect in the month of the gift or in either of the two months preceding will be used to calculate the charitable deduction available for a specific transfer.

May We Help?

I would like to receive additional information to help plan my year-end giving. Please send me information on:

- ☐ Gifts of appreciated property
- ☐ Gifts with retained benefits
- ☐ How to take a deduction for future gifts

I have the following property that I would consider giving this year.
Please calculate the best possible way for me to do so.

Type of Property ______________________________

Current Value ______________ **Cost Basis** ______________

Name ______________________________

Birth date(s) ______________________________

Address ______________________________

City/State/Zip ______________________________

Daytime Phone ______________ **Evening Phone** ______________

E-mail ______________________________

Age ______________ **Age of Spouse** ______________

Please call us or complete the information and return to:

AMG International
6815 Shallowford Road
Chattanooga, TN 37421
Phone: 423.894.6060
E-mail: patrickr@amginternational.org