

האוניברסיטה העברית בירושלים
THE HEBREW UNIVERSITY OF JERUSALEM

ביה"ס לעבודה סוציאלית ע"ש פאול ברואלד PAUL BAERWALD SCHOOL OF SOCIAL WORK

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Organizations and Philanthropy

פרופ' אליעזר דוד יפה
הקתדרה לחקר ההתנדבות,
המלכ"רים, והפילנתרופיה
ע"ש סנטרייד-ל' ז'אק מנרד



Step –Israel Wealth Management Seminar
July 1, 2007 – Jerusalem

ENDOWMENT AND PLANNED GIFT MANAGEMENT

By Prof. Eliezer D. Jaffe

Charitable Gift Annuity

Charitable Remainder Annuity Trust

Charitable Remainder Unitrust

Charitable Lead Trust

Donor Advised (Charity) Fund

Charitable Bequest

Named Funds – Interest Free Loan Funds as a case in point.

Jaffe's Basic Universal Principles Regarding Planned Giving:

1. Always involves a gift to a nonprofit organization.
2. Always involves a tax deduction, immediate or future.
3. Programs with or without annuity features (life-time or 20 years)
4. Always involves your choosing the charity, and often allows your choosing the use of the donation by the nonprofit.
5. Possibility of perpetual use of the donation – even after death.

requiring an investor mentality, information and

Charitable Gift Annuity

Make a contribution to the Jewish community.
 Enjoy substantial financial benefits. A Charitable Gift Annuity allows you to do both.

A Charitable Gift Annuity is an agreement between you and the Jewish community that benefits you both. In exchange for your gift to the Jewish community, you will receive a fixed income for life—beginning at age 65. A portion of the gift qualifies for a current income tax deduction, thereby reducing your taxes now, while the full value of the gift is removed from your estate. In addition, a portion of the annuity payment may be tax free. If you are younger than 65, you may purchase these annuities periodically in order to build a tax-advantaged retirement plan which begins making payments at age 65. The gift annuity may make payments during your lifetime, or may make payments during the lives of both you and your spouse.

If you decide to use appreciated securities to fund a gift annuity, no capital gains taxes are due when the securities are contributed. Instead, a portion of your income from the annuity will be subject to capital gains tax, which will be paid over your anticipated lifetime.

A Charitable Gift Annuity serves as an attractive alternative to many lower yielding investments and offers several financial and philanthropic benefits such as:

- A guaranteed annual income
- Higher yields than many other alternatives
- A portion of your annual income is tax free
- Current charitable income tax deduction
- A reduction in your estate taxes
- The opportunity to make a significant gift to the Jewish community

A gift to the Jewish community today will allow you to be there for your family, your community and the Jewish people—whenever help is needed in the future.

At-A-Glance

- Provides income for you and your spouse
- Offers income and estate tax benefits
- Enables donors younger than 65 to build a tax-advantaged retirement plan
- Defers capital gains tax for gifts of appreciated securities

Charitable Remainder Annuity Trust

help ensure the future of the Jewish community.
 receive income for life.

Charitable Remainder Annuity Trust provides a way to avoid fluctuations in interest rates and ensures that you or someone you designate receives a fixed income. You may make a gift of cash, appreciated securities or property and set up the trust either during your lifetime or through your will.

This trust agreement locks in a long-term annuity rate and you or your designated beneficiaries receive regular annuity payments for life, or joint lives, or for a term of up to 20 years. The rate chosen depends on prevailing market conditions.

Ultimately, the remainder in the trust becomes the property of the Jewish community and is used to meet its most critical needs, or to support an organization or cause which you can specify.

At-A-Glance

- Provide fixed lifetime annuity at a favorable rate
- Eliminate initial tax on capital gain for contributed appreciated property
- Provide current income tax charitable deduction
- Avoids estate taxes on contributed assets
- Enables you to make a significant contribution to the Jewish community

Should you elect to use appreciated property to fund the trust, you will avoid any initial income tax on the capital gain. The contributed property is received by the trust at its fair market value, and the annuity rate is multiplied by this value to calculate the payments to the income beneficiaries. In addition, you will be entitled to a current income tax charitable deduction based on the present value of the anticipated remainder—which will ultimately be paid to the Jewish community.

Example:

You decide to contribute stock worth \$20,000, which cost you \$5,000, to a Charitable Remainder Annuity Trust. The trust then disposes of the stock and reinvests the proceeds. The trust is credited with the full value of the stock, and neither you nor the trust is charged initially for payments of income tax on the capital gain. The trust provides income at a fixed rate of, for example, 7%, guaranteeing payments of \$1,400 per year ($\$20,000 \times 7\%$).

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Charitable Remainder Unitrust

Leave a last
Receive income

Gift to the Jewish community.
for life.

A Charitable Remainder Unitrust provides an income stream for the donor. The trust grows based upon the assets it invests. As assets grow, the trust can result in larger payouts. A gift of cash or appreciated property (such as stocks or real estate) to the trust either during the donor's lifetime or through his or her will. This provides the donor with a stream of income for life or joint lives, or for a period of time.

A Charitable Remainder Unitrust provides a way to obtain an income stream for the donor. The trust grows based upon the assets it invests. As assets grow, the trust can result in larger payouts. A gift of cash or appreciated property (such as stocks or real estate) to the trust either during the donor's lifetime or through his or her will. This provides the donor with a stream of income for life or joint lives, or for a period of time.

not to exceed 20 years. When you contribute appreciated property to fund the trust, you avoid any initial tax on the capital gain. The contributed property is received by the trust at its fair market value, and the unitrust rate is multiplied by this value to calculate the initial periodic payment to the income beneficiaries. In addition, you are entitled to a current income tax charitable deduction based on the present value of the anticipated remainder.

Example:

Stock worth \$20,000, which cost you \$5,000, is contributed to a Charitable Remainder Unitrust, which then disposes of the stock and reinvests the proceeds. The trust is credited with the full value of the stock and neither you nor the trust is charged initially with income tax on the capital gain. The trust provides income for life at a unitrust rate of, for example 7%, providing you with payments of \$1,400 the first year ($\$20,000 \times 7\%$).

Thereafter, the value of the securities is established on the first business day of each calendar year, and the unitrust rate is applied to this new value to establish the payment for the current year. If for example, the trust assets had increased in value to \$25,000, the payment for the year would be \$1,750 ($\$25,000 \times 7\%$).

It must be noted that in periods of investment loss, the value of the trust will be reduced and the payments to the beneficiary will be lower. However, over long periods of time investments in securities have tended to increase in value. Donors wishing a fixed payout can consider a Charitable Remainder Annuity Trust which provides that benefit.

A gift to the Jewish community today will allow you to be there for your family, your community, and the Jewish people—whenever help is needed in the future.

At-A-Glance

- Provides lifetime income
- Eliminates initial tax on appreciated property
- Provides current income
- Enables you to avoid gift tax
- Allows you to "Be there" for the Jewish community

at favorable rates
capital gain for contributed
tax charitable deduction
state taxes on contributed assets
"Be there" to make a significant contribution
ity

Charitable Lead Trust

Transfer property to your children or grandchildren while making a significant contribution to the Jewish community.

A Charitable Lead Trust is an excellent way to transfer property to family members with significantly reduced gift or estate taxes. At the same time, you'll be making a valuable contribution to the Jewish community to help with critical needs now—or to support initiatives and organizations in the future.

A Charitable Lead Trust is established for a specific term by contributing an income-generating asset, often real estate. The trust pays a fixed annual amount to the Jewish community until the end of the term.

Any gift or estate tax that might be due as a result of the transfer of the assets to the next generation is based on the value of the property at the time of contribution to the trust. These taxes are offset or eliminated by a deduction based on the annual income that will be distributed to the charity over the term of the trust. The payment rate and term of the trust are selected to minimize these taxes. At the end of the trust term, the assets are transferred to the next generation and no taxes are due as a result of any appreciation of the assets while held in the trust.

A gift to the Jewish community today will allow you to be there for your family, your community, and the Jewish people—whenever help is needed in the future.

At-A-Glance

- Offsets gift and estate taxes on inter-generational transfers of assets
- Eliminates gift or estate tax on future appreciation of the transferred assets

Donor Advised Funds

Enjoy a
charital
tax bene

venient vehicle that can manage your
giving. Take full advantage of available

By making
of \$10,000
in an account
offers several
your fund

contribution of cash or securities in the amount
or more, you may establish a fund which is held
in the name of the Jewish community
which you name. The Jewish community
investment options; you recommend how
your fund is to be invested.

Any contribu-
tions you've
made for at
least one year
are fully deduc-
tible and receive
the most favor-
able tax treat-
ment. In addi-
tion, contribu-
tions made to
a Donor Advised
Fund are tax-free.

utions you make of cash and securities which
for at least one year are fully deductible and
most favorable tax treatment. In addition,
held in the account grow tax-free.

You may recommend that grants be made from your fund to specific charities you wish to support at any time, freeing you from the pressure of making such decisions at the end of each year. A single contribution of securities may be used to make tax-advantaged contributions to many charities, avoiding the cumbersome requirement of breaking a security position into many small units. The minimum grant which may be recommended is \$250. Unless you request anonymity, grant checks are sent with a transmittal bearing your name.

You may nominate your children to make grants on your behalf, now, or as your successor—enabling your family's future generations to carry on the tradition of charity that you have established.

A Donor Advised Fund can provide the advantages of a private foundation while eliminating on-going legal and accounting costs, as well as excise taxes on investment income. When large contributions are made, the allowable tax deductions are greater than those available when contributions are made to a private foundation.

A gift to the Jewish community today will allow you to be there for your family, your community, and the Jewish people—whenever help is needed in the future.

At-A-Glance

- May be established with cash or securities
- Can be created with a minimum gift of \$10,000
- Allows you to recommend grants to organizations
- Offers considerable tax advantages
- Enables continuity through generations of your family
- Less burdensome than operating a private foundation

with cash or securities
a minimum gift of \$10,000
mend grants to organizations
ax advantages
rough generations of your family
n operating a private foundation

Charitable Bequest

Protect the people you love. Create a lasting partnership with the Jewish community. Help ensure its future. Your will makes it possible.

By deciding to leave 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 name 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.

At-A-Glance

- Established through your will
- May be made in any amount—no matter how small or large
- Provides a tax deduction for your estate
- Provides permanent resources for organizations important to you

THE ISRAEL FREE LOAN ASSOCIATION (IFLA)

SAMPLE LANGUAGE FOR CHARITABLE BEQUESTS

Specific Bequest

"I give and bequeath to the Friends of the Israel Free Loan Association (write here the address of Friends of IFLA in your country), the sum of \$ _____ (or specific property) to be used for the charitable purposes of the Association."

Percentage Bequest

"I give and bequeath to the Friends of the Israel Free Loan Association (write here the address of Friends of IFLA in your country) _____ percent of my estate to be used for the charitable programs of the Association."

Residuary Bequest

"I give and bequeath to the Friends of the Israel Free Loan Association (write here the address of the Friends of IFLA in your country), the rest residue and remainder of my estate to be used for the charitable purposes of the Association."

Contingent Bequest

"In the event that any or all of the above named beneficiaries shall not survive me, or shall die during the administration of my estate, within ninety (90) days from the date of my death, or as a result of a common disaster, then I give and bequeath that beneficiary's share of my estate to the Friends of the Israel Free Loan Association (write here the address of Friends of IFLA in your country), to be used for the charitable purposes of the Association."

Restricted or Designated Bequest

Bequests may be designated for specific types of interest free loan programs such as small business loans, home loans, for immigrants, handicapped or other programs, etc. There are also opportunities for establishing a Named Loan Fund with a major gift. Please call 972-2-5637450 to discuss options for making this bequest, or see the IFLA website for details.

N.B.- To maximize tax savings, please consider a gift of Savings Bonds, Israel Bonds, Individual Retirement (IRA) accounts or other funds that you may hold.

For more information, please see the IFLA website at www.freeloan.org.il.

A GIFT TO THE IFLA IS A GIFT THAT LASTS FOREVER