LIVING AND GIVING PLANNING FOR THE NEW MILLENIUM

DISCLAIMER

This booklet is designed to provide general and accurate information about charitable giving. It is distributed with the understanding that it is for information only and the Boy Scouts of America is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expertise is needed to review or advise you on your financial situation, the services of a competent professional should be sought.

GIVING AND LIVING: Planning for the New Millenium

TABLE OF CONTENTS

| Scout Oath, Law, Mission, Motto, Slogan | 4 |
|---|------|
| Letter from Chief Scout Executive | 5 |
| <u>CASH AND PROPERTY GIFTS</u> | |
| Cash Gifts Stock Gifts Personal Property Gifts | 6-8 |
| Gifts of Land, Homes and Farms Bargain Sales and Gift/Sales Life Estate Gifts | 8-10 |
| Life Insurance | 10 |
| <u>INCOME PRODUCING GIFTS</u> | |
| BSA Gift Annuity Program Deferred Gift Annuities | 11 |
| Pooled Income Fund Gifts | 12 |
| Charitable Remainder Trusts Unitrusts Annuity Trusts | 13 |
| Charitable Lead Trusts | 14 |
| BEQUESTS AND REVOCABLE GIFTS | |
| Wills and Bequests | 15 |
| IRA's and Retirement Plans | 16 |
| Revocable Gift Planning Lead Trusts | 16 |
| Non-Charitable Gift Planning Information | 17 |
| National Recognition for Endowment Donors | 18 |
| For More Information | 20 |

SCOUT OATH OR PROMISE

On my honor I will do my best
To do my duty to God and my country
and to obey the Scout Law;
To help other people at all times;
To keep myself physically strong,
mentally awake and morally straight.

SCOUT LAW

A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean and reverent.

SCOUT MOTTO

Be prepared.

SCOUT SLOGAN

Do a good turn daily.

A Message from the Chief Scout Executive

Scouting's original founder, Lord Robert Baden-Powell, lived by an interesting motto: we only have a short time to live, so we must do things that are worthwhile, and do them now. This belief clearly influenced his vision of the organization he was to create. But it also continues to define the true importance of Scouting, the relevance and impact of its programs, and the vital role that our great volunteers play in making Scouting what it is today.

Few things are as worthwhile, or as important to do now, as taking care of those you love and care about the most. So take a few minutes to look through this booklet and see some of the wonderful things you can do with your charitable gifts, in ways that can benefit you, your family, and your favorite charities.

Of course, there isn't room here to talk about all the worthwhile things that <u>Scouting</u> can do with your gifts! Just let us know and we'll be happy to tell you. You probably already know this, but I assure you: few things in life are as special as making a difference in the life of a young person, unless it's seeing the difference that same young person can make in the community and in the lives of others. That's Scouting, and that's why I thank you for your interest in and support of this great movement.

Roy L. Williams Chief Scout Executive

CASH GIFTS

Gifts of cash have always been the most basic and important source of support for Scouting. They are easy and popular, and offer a tax deduction equal to the *full value* of the gift.

The net cost of a gift decreases for donors in the higher tax brackets (assuming they can itemize their deductions). The table below estimates the net cost of cash gifts for donors in different tax brackets. Please note that these brackets may change somewhat from year to year (rates below current as of 2004):

| Tax Bracket | Gift Cost Per \$1,000 | Tax Savings Per \$1,000 |
|-------------|-----------------------|-------------------------|
| 15% | \$850 | \$150 |
| 25% | \$750 | \$25 0 |
| 28% | \$720 | \$280 |
| 33% | \$670 | \$330 |
| 35% | \$650 | \$350 |

- Gifts of cash are deductible up to 50% of your adjusted gross income each year. Unused deductions may be carried over and used for five years after the gift is made.
- ♦ These gifts are considered made on the date it is hand delivered or mailed. So, a year-end gift mailed in December is deductible that year, even if not received by the council until January.
- Income producing interests, such as oil and gas or mineral interests, mortgage income, or copyrights, may also be contributed to produce a continuing source of cash for Scouting.

STOCK GIFTS

Publicly Traded Securities

A gift to Scouting of stocks or bonds may provide you with even greater tax benefits than a cash gift of equal value. This is especially true for securities that have appreciated in value and could generate capital gains tax if sold.

Many donors make gifts of appreciated securities because they can avoid paying capital gains tax on them, and take a charitable deduction for the full market value of the securities (if owned for at least one year). But we suggest not donating securities worth less than you paid for them. It may be better to sell the stock, report your loss for tax purposes, then donate the cash proceeds.

Example: A donor is considering a gift of \$100,000. It may be cash, or stock with a basis of \$20,000 he has held for more than a year. The comparison:

| | Gift/Tax Deduction | Tax Owed by Donor | <u>Capital Gains</u> <u>Tax Saved</u> |
|-------------------------------|--------------------|-------------------|--|
| Cash Gift | \$100,000 | 0 | 0 |
| Stock Sold, Proceeds Given | n \$88,000 | \$12,000 | 0 |
| Stock Given | \$100,000 | 0 | \$12,000 |

Securities held less than one year may be donated, but your charitable tax deduction will be limited to your cost basis. Though there may be advantages to giving short-term property with little or no appreciation (see below), you should discuss this with your own tax adviser.

• Gifts of stock you have owned for more than a year are deductible up to 30% of your adjusted gross income (AGI) every year. If held for less than a year, they are deductible up to 50% of your AGI every year. Excess deductions may be carried over for five years after the year of gift.

Closely Held Stock

Often very highly appreciated in value (and expensive to sell), gifts of closely held stock offer the same tax advantages as a gift of common stock. In fact, some donors use these gifts as a way of either "transferring" ownership interests to others such as family members, or regaining control of the shares and establishing a new cost basis for the stock.

Example: A council board member owns 80% of a family business; his children own the other 20%. He transfers to the council a 5% interest in the company and gets a tax deduction for the value of those shares. If the company buys the shares from the council (reducing its accumulated earnings), the children's ownership of the company goes up. If the donor buys back the shares, he retains the same ownership percentage, but has greatly increased his basis in the reacquired shares.

• Though the advantages of closely held stock gifts are similar to those of publicly traded stock gifts, an appraisal may be required to establish the market value of these shares.

Stock Options

A gift of stock options can be just as valuable to a local council as a gift of the stock itself. It is also a "painless" way to make a gift; you're giving away something you don't actually own yet. These gifts will not produce an immediate tax deduction, since the value of gift cannot be determined until the option is exercised by Scouting. But when the option is exercised, you are entitled to a tax deduction equal to the difference between the option price and the stock value.

PERSONAL PROPERTY GIFTS

Whether through inheritance, collecting or investment, we accumulate a lot of personal property. Sometime these items are valuable; sometimes the value is purely sentimental. But often these items may be costly to insure or difficult to sell.

A gift to Scouting of artwork, collections (such as stamps or coins), antiques, boats or cars, or other items of personal property may be an effective alternative for giving. Personal property gifts that could be used for Scouting purposes, or items that are worth less than what you paid for them, will be deductible at their current fair market value. Other personal property gifts may be deductible only at their cost basis, so you should discuss these options with your own tax advisor.

• Before making a gift of personal property, especially one worth more than \$5,000, arrange for an appraisal of the item(s). However, any appraisal fees you incur may also be deductible as an expense associated with a charitable contribution.

GIFTS OF LAND, HOMES AND FARMS

Outright Gifts

With the continuing increase in property values, many people find that their real estate is their greatest asset. But these assets often carry a high price: property tax and maintenance costs, if held; capital gains tax, if sold. A gift to Scouting of property – residential, rental, vacation homes, farms, commercial, undeveloped, or even land rights such as oil, gas, water and mineral rights – may offer significant benefits.

Generally, outright gifts of real property entitle you to:

- Avoid the capital gains tax on any appreciation in value, and
- A charitable income tax deduction based on the fair market value of the property.

Example: A donor invested \$20,000 in a piece of land many years ago. It is now worth \$100,000. If he contributes it to his local council, he is entitled to a deduction of \$100,000 on his income tax return. He also will not owe the capital gains tax which would be due had he sold the property (a savings of \$12,000).

Before deciding on a gift method, you will need to know: 1) the appraised value of the property; 2) your basis and any debts or liens on the property; and 3) your plans for, and any family interest in, the property. Also discuss your gift with the council to determine how or if the property will be used in its program or if there are any environmental concerns.

- As with gifts of stocks and bonds, land held for more than one year is deductible up to 30% of a donor's AGI for the year. If held for less than a year, it is deductible up to 50% of AGI for the year, but the deduction will be limited to the property's cost basis. The five year carryover rule applies here as well.
- Property with a mortgage or lien usually does not make a good gift. The tax deduction will be reduced by the debt amount, and the donor is also treated as having taken a similar amount into income, regardless of who is responsible for the debt.

Bargain Sales and Gift/Sales

A gift of real estate does not have to be an all-or-nothing proposition. You may donate a partial interest in the land – or any accompanying land rights – instead of donating the entire property. You receive a deduction based on the appraised value of the interest you donate. When the property is sold, the proceeds are distributed accordingly. This is referred to as a *gift/sale* arrangement.

Example: A donor has a 10-acre parcel of land worth \$100,000. She is concerned about giving away the entire property. She instead donates 3 acres of it to her local council. She gets a deduction of \$30,000 right away and, when the property is sold, the council gets 3/10ths of the sales proceeds (the donor gets the other 7/10ths). It's also very possible that her tax deduction will completely offset the capital gains tax she will owe on her part of the proceeds.

Another option is the bargain sale. Just like it sounds, it's where a donor sells the property to the council at a bargain; it's part sale, part gift. The council gets a good deal and the donor gets a tax deduction for the difference between the sale price and the value of the property.

Example: A donor has a property worth \$150,000. He wants to help his council, but can't afford to give away the entire property. He agrees to sell it to the council for 1/3 of its value. He gets \$50,000 cash (either all at once or over time), a charitable tax deduction for \$100,000, and owes capital gains tax only on his pro rata share (1/3). The council gets a property worth three times its price and can do whatever it wants to with it.

Life Estate Gifts

Some people anticipate a gift to Scouting of a home, vacation home or farm sometime in the future, but may not want to give up the use of their property yet. It's possible to do both with a *life estate* gift. It's simply a contract arrangement where you give Scouting the rights to your property after your lifetime, but you keep the right to use and enjoy it for the rest of your life (or the life of another). If the property is income producing (e.g. from rent, crops, timber, etc.), you're also entitled to keep any income it produces during your lifetime.

Though Scouting has no right to use or possess the property until after your lifetime, you receive an immediate income tax deduction for part of the property's value. Also, the property won't be in your estate at death, so your estate may save taxes and probate costs as well.

Example: Mr. and Mrs. Donor, both about 70, have a vacation home worth about \$200,000. They use it a few weeks a year and rent it out the rest of the time. They plan to do something for their local council, but don't want to give up their vacation home yet. They make a life estate gift with their council. They continue to use the property just as always, they still get all the rental income, it is no longer in their taxable estate, and they also get an immediate income tax deduction of about \$96,000. Only at the end of their lifetimes can the council use the property.

- If you make a life estate gift, and at some point decide you no longer want to use your property, you can simply give the council your remaining rights in the property and receive additional tax benefits at that time.
- ♦ The value of a tax deduction for a life estate gift is determined by the value of the land and the age of the life tenants. The older the donor, the larger the income tax deduction.

Real estate can also play an important role in income producing trusts; this will be discussed later in the booklet.

LIFE INSURANCE

Life insurance plays an important role in the estate plans of many people. Though most people have some form of insurance, it's common to have a policy that may no longer be needed for its original purpose. For example, do you have a policy:

- ♦ To provide money for a spouse or children who no longer need it?
- To cover a mortgage on a home or other property that is now paid off?
- ♦ To cover educational expenses you've already paid from other funds, or to protect a business that no longer exists or needs help?

It may be beneficial to donate such policies to Scouting. Many donors also buy new policies to give to their local council. In general, if you donate a new or existing policy to Scouting, you can deduct from your income taxes an amount roughly equal to the policy's cash surrender value, as well as any annual amounts you pay to help keep the policy in effect.

Example: A donor has a \$50,000 life insurance policy she no longer needs. It has a cash surrender value of about \$32,000 and she continues to make annual premium payments of \$1,100. If she names the council owner and beneficiary of the policy, she receives a tax deduction of about \$32,000. She also receives a deduction for her annual gifts to the council to help keep the policy in force.

There are a number of ways you can use life insurance in your charitable gift planning for Scouting

- 1. Name your local council as primary or secondary beneficiary of an existing policy.
- 2. Name your council owner and beneficiary of an existing policy.

- 3. Buy a new policy and contribute it to the council.
- 4. Buy a policy on the life of someone else and contribute it (for donors who may not qualify personally for affordable coverage).
- 5. Buy a policy that benefits your heirs to replace a gift to Scouting you've already made.

Example: A donor gives his council highly appreciated land worth \$100,000. However, his children were not excited about losing part of their inheritance. So the donor "replaces" the land with a \$100,000 second-to-die policy and names his children as beneficiaries. He pays for the policy with part of the tax savings he got from his land gift's charitable deduction. The children are happy again.

- Income tax deductions for a gift of insurance may vary depending on the type of policy donated. Seek advice from your own advisor, and get an appraisal of your policy's value before you donate an existing policy.
- ♦ You will receive a tax deduction, and the value of the policy will be removed from your estate for probate purposes, only if you name a charity both owner and beneficiary of the policy.

THE BSA GIFT ANNUITY PROGRAM

A gift annuity is a simple contract between a donor and Scouting. In exchange for a gift, Scouting agrees to pay income to the donor or others chosen by the donor. This income is paid for life, to one or two individuals, and guaranteed by the general assets of the Boy Scouts of America. The donor also receives an income tax charitable deduction.

The gift may be of cash, stocks, bonds or shares in a mutual fund. The minimum gift required to receive a gift annuity from the BSA is only \$2,500. Though you cannot add to a gift annuity once it is made, you may enter into as many separate gift annuity contracts as you wish.

The donor may choose anyone to receive lifetime annual income, and all income will be paid quarterly. However, a beneficiary must be at least 50 years of age at the time of the contract. Most donors select themselves and/or a spouse to receive the income.

The amount of annual income depends on the age of the beneficiaries. The older the income beneficiary, the more income they receive. As of 2004, the annual returns for gift annuities range from 5.3% to 9.5%, for donors between age 50 and 85. Most of the income is taxable to the beneficiaries, but part of each payment is often considered tax free – the IRS considers part of each payment a partial return of principal. This may increase the effective rate of return, depending on your tax bracket and the cost basis of the property you contribute.

Example: A 70 year-old donor wants to set up a \$10,000 gift annuity; it will pay 6.5%. She is considering either a gift of cash or stock (with a basis of \$2,500). The comparison:

| | Tax Deduction | Annual Income | Tax Free Part of Payments |
|-------|---------------|---------------|---------------------------|
| | | | • |
| CASH | \$3,400 | \$750 | 64% |
| STOCK | \$3,400 | \$750 | 16% |

At the end of the gift annuity term – the lifetime of the income recipient(s) – the remaining value of the original gift is removed from the gift annuity fund and given to the council chosen by the donor. Gift annuities are handled through the BSA Gift Annuity Program at the National Council; this relieves our councils from administrative burdens and state filings and fees.

Deferred Gift Annuities

Some donors choose to set up a gift annuity now – to get the income tax deduction now – but defer the start of the payments until a later time. Payments may be deferred as long as the donor wants and the rates of return are often higher than for non-deferred annuity payments. This strategy may be useful for donors currently in a high income bracket and planning for retirement. Unlike IRAs and other retirement alternatives with maximum contribution limits, there is no limit as to how much you can place in a deferred gift annuity.

Deferred Gift Annuity Example: A 60-year old donor sets up a \$50,000 BSA gift annuity but defers the start of the income until he retires at age 65. He gets an immediate income tax deduction of \$15,150 and will receive \$3,800 a year when he retires. Pleased, he sets up another gift annuity every year for the next five years, receiving immediate income tax deductions for each and ending up with a significant source of extra retirement income.

♦ Though donors may select anyone to receive gift annuity income, there may be gift tax implications for beneficiaries other than the donor and/or spouse.

POOLED INCOME FUND

The BSA's Pooled Income Fund is often described as a "charitable mutual fund." It represents the gifts of many donors to Scouting that are managed and invested as a group. It is possible to join in the BSA Pooled Fund with an initial gift of only \$5,000 in cash, stocks, or bonds (additional gifts to the fund only require a minimum of \$1,000). As with other charitable gifts, a donor receives an immediate income tax deduction for the gift and avoids owing any capital gains tax on appreciated securities given to the pooled fund.

Income is paid for one or two lifetimes to anyone chosen by the donor (as long as they are at least 40 years of age at the time of the gift). The income often varies, depending on the actual investment return of the fund's portfolio. All earnings are distributed quarterly based on the units of participation held by each beneficiary. At the end of a beneficiary's lifetime, the amount of the original gift is removed from the fund and distributed to the donor's council of choice.

Example: A couple, ages 68 and 67, decide to make a \$20,000 gift of highly appreciated stock to the pooled income fund. It has a basis of only \$5,000 and they currently get 2% dividend income from the stock. After the gift, they get an income tax deduction of \$6,400. Also, the current fund earnings will more than triple their annual income from the stock. They owe no capital gains tax on the stock's appreciation, and they have removed an asset from their taxable estate (possibly saving probate costs and estate tax).

The income from a pooled fund is taxable. However, pooled funds may also protect against inflation, since the income will increase as the portfolio income increases. Also, you receive income

based on the full value of the gift – not possible if you, instead, sold your highly appreciated property, paid the capital gains tax, and could only reinvest the after-tax proceeds.

• As with other income producing gifts, there may be gift tax implications if income payments go to anyone other than the donor and/or donor's spouse.

CHARITABLE REMAINDER TRUSTS

Perhaps the most popular and flexible of all the ways to make a major gift to Scouting is the *charitable remainder trust*. Your gift is placed in a trust. The trust sells and reinvests the assets, and makes regular income payments to you and/or other named beneficiaries. Payments may last either for a specific number of years or for one or two lifetimes. Trusts may be funded with cash, stocks, bonds, land, and even other assets.

The payout rate is variable and based on the fair market value of the gift placed into the trust. Payments can either be a specific amount per year (annuity trust) or a fixed percentage (unitrust). Trusts with percentage payouts are revalued each year; as the principal grows in value, the annual income will also grow. After the trust ends, the principal passes to the local council chosen by the donor.

The rates of payment, investment philosophy, type of income and other details can be tailored to provide a financial planning tool that is creative, fiscally sound, and responsive to your needs. It provides a significant gift to Scouting, so you are entitled to an income tax deduction when you create your trust. It is also a great opportunity to fund the trust with low-yielding, highly appreciated assets, avoid capital gains tax, and increase your income stream.

Example: A donor has highly appreciated land worth \$300,000 (he only paid \$50,000 for it). It is currently generating no income. He places it into a charitable *unitrust* to pay 6% annually to him and his spouse for 15 years (there is 2% annual principal growth). The benefits:

| Immediate income tax deduction: | \$121,000 |
|-----------------------------------|-----------|
| Capital gains tax owed upon gift: | 0 |
| Total income over 15 years: | \$307,000 |
| Total gift to BSA after 15 years: | \$414,000 |

The two main types of charitable remainder trust are unitrusts and annuity trusts.

- In general, the shorter the trust term, or the smaller the annual payout, the larger the deduction.
- Since trust property is removed from a donor's estate, this may result in significant savings in estate taxes and/or probate costs at the end of the donor's lifetime.

Additional Retirement Planning with Charitable Trusts

For retirement plans not involving a charitable trust, there is a funding maximum before you lose your tax benefits. However, by combining your charitable objectives with your retirement needs, you may find much more flexibility.

Example: A donor, age 55, already has an overfunded IRA but would like to do more. He decides to set up a charitable unitrust now, and plans to add \$50,000 a year in cash and/or stocks to the trust for the next ten years. He plans to keep a high growth portfolio (7%) until he retires, then reinvest to generate 7% a year income for the rest of his life. The benefits:

Income Tax Deduction: \$143,000 over the next ten years

Capital gains tax owed upon gift: 0
Income in first year of retirement: \$39,200
Estimated total lifetime income: \$894,000
Total to BSA at end of trust: \$766,000

CHARITABLE LEAD TRUSTS

Some think of a lead trust as a partnership between themselves and a charity. Some think of it as a "mirror image" of a charitable remainder trust. Others think of it as a loan to charity. Regardless, the lead trust is a great way to make a significant gift to Scouting using funds that eventually will *return* to you or your loved ones. It's also a great way to pass assets to your loved ones at very little cost.

In a lead trust, your assets are protected in a trust for a period you choose -- either a number of years or measured by someone's lifetime. During this period, the income is paid to the local council of your choice. You also determine the amount of income that will go to the council. Trust earnings not needed for income are accumulated as part of the trust principal. At the end of the trust, the principal (including all undistributed growth) will be distributed tax free either to the donor or to anyone selected by the donor.

Tax deductions are largely determined by who eventually receives the principal, the term of the trust and the annual payout. If the trust returns to the donor, an income tax deduction is available. If the trust goes to someone other than the donor, a gift tax deduction is available.

"Lead Trust to Donor": A donor who just sold her business places \$500,000 in cash into a 15 year lead trust paying \$35,000 a year to her council (pays out 7%, earns 9%). She gets a charitable income tax deduction of more than \$395,000 in the year she creates the trust. Over the next 15 years, the council receives \$525,000 and the trust grows to more than \$794,000 in value. At the end of the trust, the donor receives the \$750,000 principal and growth in the trust.

"Lead Trust to Family": Another donor places an identical gift into a 15 year lead trust, but he wants his children to get what's in the trust when it ends. (This means a likely gift tax since it is a non-spousal gift). He gets a charitable gift tax deduction of \$331,000, reducing the potential taxable gift to the children of \$105,000 (\$500,000 minus \$395,000 gift tax deduction). The donor can also reduce any remaining lifetime exclusion by this amount to offset or eliminate the tax. When the trust ends, the children get the \$750,000 principal plus the trust growth.

Without the lead trust, a donor might have to leave the children more than \$1,500,000 in the estate just so they would net \$750,000 after potential estate tax rates of 50%.

The lead trust greatly reduces the cost of making a large gift to children and -- just as important -- Scouting gets a sizeable gift that the council may use right away for operating needs or a capital campaign.

WILLS AND BEQUESTS

The charitable bequest is the most familiar and widely used way to benefit Scouting at some future time. It is how many donors choose to establish a legacy after their lifetime, but in a way that remains revocable at any time during their life.

Most who include Scouting in their wills often benefit their heirs at the same time. A charitable bequest is completely deductible from the estate. Depending on your needs, there are many forms a bequest to Scouting can take. These include:

- 1. General Bequest a designated sum of money from your estate, such as \$10,000. These are among the first bequests to be fulfilled in an estate.
- 2. Specific Bequest a specifically designated item, such as stock in a certain company, a specific home or piece of land, art work, etc. If you do not own the item at the time of your death, the beneficiary will get nothing.
- 3. Percentage Bequest a designated percentage of your estate, such as 10%. A good way to ensure that inflation will not reduce the value of your bequest to Scouting.
- 4. Residuary Bequest a designation that gives Scouting all or a percentage of any estate remaining after all your general and specific bequests are satisfied. There may or may not be any gift for Scouting with such a bequest.
- 5. Contingent Bequest a bequest that will not take effect unless another bequest fails, such as to a spouse or other relative that might predecease you.

Many donors also establish "testamentary" charitable trusts in their will. These may be annuity trusts or unitrusts – just like those created during life – but are funded or created in a will. Also, for donors who use living trusts instead of a will, Scouting and other charities can easily be included in those.

Many donors establish "testamentary" charitable trusts in their wills. These may be annuity trusts or unitrusts – just like those created during life – but are funded or created in a will. Also, for donors who use living trusts instead of a will, Scouting and other charities can easily be included in those.

For those already with wills, simple changes can easily be made with a *codicil*. A codicil is a simple addition or amendment to an existing will. As with all bequests, codicils remain revocable during your lifetime. Regardless of your charitable plans, it is important to regularly review your will and make sure it meets the changing needs of you and your family.

IRAs AND RETIREMENT PLANS

Retirement fund assets can be one of the most significant assets left in an estate. In fact, studies show that 90% of the people at age 90 still have 90% of their original funding amount left in the fund. During the optional withdrawal period for IRAs only 10-20% of Americans make any withdrawals. And during the mandatory withdrawal period, (after age 70 ½), 85-90% of Americans take only the minimums.

Unfortunately – for many people -- the gift of an IRA to a child or grandchild can be the costliest gift of all. Retirement funds given to children or grandchildren can be hit by federal estate taxes, state death taxes, income tax, and generation skipping taxes. Of course, you can always name Scouting as an alternate or contingent beneficiary of your retirement accounts; just request a Change of Beneficiary form from your plan administrator. But there may be a better way.

Another idea for dealing with an IRA or other retirement account is to create a charitable trust in your will to be funded with your IRA. It may not only save taxes, but greatly increase the amount received by your children or grandchildren – a perfect way for many to pay for college and education costs.

Many donors want to use an IRA to benefit family members as well as charities. Advisers often suggest splitting the IRA into at least two separate IRAs – one for your family and the other to hold the charitable portion. Check with your own adviser about this strategy, but also ask about the outcome of the proposed IRA legislation in 2001. It would allow you to make direct lifetime transfers to charities without having to include those distributions in your income.

You probably don't want to give away your retirement accounts now; in fact, doing so may have some tax disadvantages. But the flexibility of IRA designations (you can change them anytime) and the potential tax savings from such charitable gifts may well suit your objectives. Talk with your own advisor about your options.

REVOCABLE GIFTS

Of course, gifts by will are always revocable gifts during your lifetime. However, there are many other types of gifts that may be changed or revoked. This may be particularly comforting to those who are concerned or uncertain about their financial future.

Many donors enjoy naming their local council as the eventual beneficiary of an insurance policy or retirement account. These may not only be significant gifts to Scouting, they are as simple as contacting your employer, insurance agent or plan administrator. If circumstances change and you find that others close to you may need part or all of these assets, these designations can be changed at any time.

Another simple form of a revocable gift is known in some states as a *pay on death* account at your bank or financial institution. It's a simple procedure that allows your council to receive any funds remaining in the savings account after your lifetime. It's similar to naming your council as a joint

owner on property interest -- these gifts will pass directly to Scouting without delay and, again, can be easily changed.

Though income tax benefits are *not* available for revocable gifts, there may be other benefits that are just as useful, especially for those who do not itemize their deductions. Loaning income-producing property to the council is one way.

Example: A couple has an investment account of \$25,000 (with a return of 6% a year). They normally give their local council about \$1,500/year, most of it coming from the net income of this account. But their gifts are made with after tax dollars and they don't itemize their deductions. So they loan the funds at no interest to the council and can get them back at any time. Before the loan, they net about \$1,200 after taxes (\$1,500 minus \$300 capital gains tax). After the loan, the council receives the \$1,500 directly and there is no loss to taxes. It's a great way to get a tax deduction "equivalent" for your gifts!

There are other ways, though, to set up a gift that returns to you or others. For example, you may create a trust such as a *lead trust* -- a trust that pays income to the council now but with the principal either returning to the donor or to other family members at the end of the trust.

For more information about these, see the section on Lead Trusts.

NON-CHARITABLE GIFT PLANNING

Charitable gifts play an important role in the estate planning of many. However, there are other planning strategies that may be combined with these gifts to help preserve your estate for your family and loved ones. Some of those strategies include:

- 1. *Unlimited Marital Deduction:* The amount that can be given by one U.S. citizen spouse to another, either during life or at death, is unlimited.
- 2. Lifetime Exclusion: There is a lifetime credit available that allows you to "shelter" non-spousal transfers, such as to children, grandchildren and others. You can use it during your life, you can use it a little bit at a time, or the rest can be used after your life to save estate taxes. These amounts are per person, not per couple.

The amount that can be protected from gift and estate taxes changes almost every year. As of 2004, for donors who pass away in the following years, the protected transfers are:

| 2004-2005 | \$1,500,000 |
|-----------|-------------|
| 2006-2008 | \$2,000,000 |
| 2009 | \$3,500,000 |
| 2010 | Unlimited |

There is a special provision for family-held businesses that may significantly increase this lifetime credit for those who qualify. As with all planning, you should discuss this with your own advisers, especially in light of recently proposed tax legislation.

3. Annual Exclusion: In addition to the lifetime exclusion, an annual exclusion for gifts is also available during your life. This allows you to give \$11,000 each year to as many people as you want. If you are married, your spouse can also give \$11,000 a year to anyone he or she chooses. So, for example, married couples can pass \$22,000 a year to each child/grandchild without owing gift tax.

These gifts do <u>not</u> reduce your lifetime exclusion. For gifts that exceed the annual exclusion, the donor must either pay gift tax on the excess, or use part of the lifetime exclusion to offset the tax.

- 4. Use of QTIP Trusts and Credit Shelter Trusts: Certain trusts such as these may help you preserve your assets and provide the flexibility you need in your estate plan. They allow you to place funds in trust, designate the use and beneficiaries of the income and principal, and save taxes in the process.
- 5. Four Good Tax Savings Techniques
 - a. Try to itemize your deductions, rather than rely on just your standard deductions. This will help you maximize the amount you can deduct.
 - b. If you are in a high tax bracket, try and shift fully taxed income (such as dividends and taxable interest) to income that is either tax-free or taxed as long term capital gains (20% or lower).
 - c. Try to shift some investment income to family members who are in a tax bracket lower than yours. This can be done either outright or through trusts.
 - d. Defer income until years when you're in a lower tax bracket, but take deductions in years when you're in a higher tax bracket -- both will be more valuable to you.

NATIONAL RECOGNITION FOR COUNCIL ENDOWMENT GIFTS

Encouraging gifts to BSA local council endowment funds is one of our highest priorities. It ensures that a council can continue to offer the outstanding programs they now have and also grow to meet the needs of its youth and community. To recognize such gifts, the BSA offers three national awards for donors. Recognition items are presented by the local council to those donors who qualify for these awards:

The James E. West Fellowship Program

Membership in the West Fellowship is available for gifts of \$1,000 or more in cash, stocks or bonds to a council endowment fund. The gift must be in addition to, and <u>not</u> replace or diminish, the donor's annual Friends of Scouting support.

James E. West was the first Chief Scout Executive of the Boy Scouts of America and he served for more than three decades. Many individuals and corporations make these gifts on behalf of someone else, such as to honor an Eagle Scout, a Scouter retirement, special accomplishment or anniversary, or in memory of another. If an institution is truly "the lengthened shadow of one man," it is fitting that the BSA honor James E. West's significant contributions to Scouting through this fellowship and legacy.

The 1910 Society

1910 Society membership is available to donors who make gifts of \$25,000 or more to their council endowments. These gifts can be in the form of cash, securities, land, five-year pledges, or other property suitable for a council endowment (or easily converted to cash). There are four levels of recognition, in honor of four very special individuals who shaped modern-day Scouting:

- 1) Ernest Thompson Seton: nationally known artist, naturalist, and author of the first official American Scout handbook, and other important Scouting books; Seton level membership: \$25,000 minimum gift.
- 2) Daniel Carter Beard: first National Court of Honor Chairman, first National Scout Commissioner, and author of many well-known books and stories for youth; Beard level membership: \$100,000 and up.
- 3) Theodore Roosevelt: first Chief Scout Citizen, first Vice President of the BSA, and President of the United States; Roosevelt level membership: \$500,000 and up.
- 4) Waite Phillips: one of the BSA's first benefactors, and donor to the BSA of almost 130,000 acres of land in New Mexico and the heart of Philmont Scout Ranch; Phillips level membership: \$1,000,000 and up.

 A \$10,000,000 level is also available (the Gold Waite Phillips Level).

Founded in 1910, the Boy Scouts of America is proud to honor this special date with this special recognition.

The Founders Circle

The Founders Circle recognizes *deferred* gifts designated to council endowments. Donors are recognized for gift commitments with a minimum value of \$100,000. Donors may qualify with gifts of charitable bequests in a will or codicil; charitable trusts (such as unitrusts, annuity trusts, and lead trusts); gift annuities or pooled income fund gifts; life insurance or IRA/retirement plan designations; other deferred gifts approved by the local council. There are four levels of membership within the Founders Circle:

Bronze: \$100,000 and up; Silver: \$250,000 and up; Gold: \$500,000 and up; Platinum: \$1,000,000 and up.

In the spirit of the BSA's early founders, and their vision and commitment to make Scouting the top youth organization in the world, the Founders Circle honors our modern-day visionaries who share their commitment to these visions and beliefs.

FOR MORE INFORMATION

To find out more about the many giving opportunities available through Scouting, as well as our other planned giving resources, seminars, consultation or endowment recognition programs, please contact:

- 1) Jenna Crutchfield, Endowment Executive at 770-956-3178
- 2) The National Council at 1-800 BSA INFO;
- 3) The BSA's finance web site at www.fsd.org.
- 4) The BSA's charitable gift Web site at www.bsagiftplan.org
- 5) The Southern Regional Endowment Counsel at 770-421-1601

Trustee services for many charitable trusts are also available through the National BSA Foundation. For more information, please call 1-800 BSA INFO.

National Boy Scouts of America Foundation 1325 W. Walnut Hill Lane Irving, Texas 75015-2079 www.fsd.org 1-800-BSA INFO