YOUR GUIDE TO EFFECTIVE GIVING IN 2017

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"To give away money is an easy matter and in anyone's power, but to decide to whom to give it, how much to give, when to give, and to give for the right motive and in the right way, is neither in everyone's power nor an easy matter. Hence, it is that such excellence is rare, praiseworthy, and noble."

—Aristotle

It has been more than two thousand years since Aristotle wrote these words. While much has changed since that time, in today's environment it is more important than ever to carefully consider your charitable gifts and make them in the most cost-effective ways.

The ways to give described in this booklet share three common themes that can help ensure your gifts have the greatest possible impact.

Time devoted to deciding *what* to give, *when* to give and *how* to give can make a difference when considering how much you may wish to give this year and in the future.

1. *Giving the right property.* What you choose to give can be vitally important in determining how much to give.

2. *Giving at the right time.* Charitable gifts are made in the context of other events in life. Through careful planning, it is possible to make gifts that accomplish multiple objectives. In many cases, tax benefits can also be enhanced by considering the timing of your gifts.
3. *Giving in the right way.* Whether you make your gifts now or in the future, special opportunities may allow you to give more than you might have otherwise thought possible.

Read on for ideas that can help you make gifts while meeting other important goals. Please contact us for more information or if you have questions about the charitable dimension of your financial and estate plans.

Giving Cash

Cash is the most common method of making charitable gifts. Giving cash can result in the elimination of tax on up to 50 percent of your adjusted gross income (AGI) each year. Any excess amounts not deductible in a given year can be carried over to bring you savings in as many as five future tax years.

When you itemize deductions, charitable gifts can often serve to reduce

federal and state income taxes where they apply. Your actual savings depend on your tax rate and other factors. Generally, the higher your tax bracket, the greater your savings. In some cases, it may be wise to increase the amount of your charitable gifts if you expect to be in a lower tax bracket in the future.

Check with your advisors when considering the amount and timing of your charitable gifts to determine what other advantages or limitations may apply given your particular circumstances.

Giving Securities

If you own low-yielding stocks, mutual funds or other securities that have increased in value since they were purchased, you may want to consider using them to make charitable gifts.

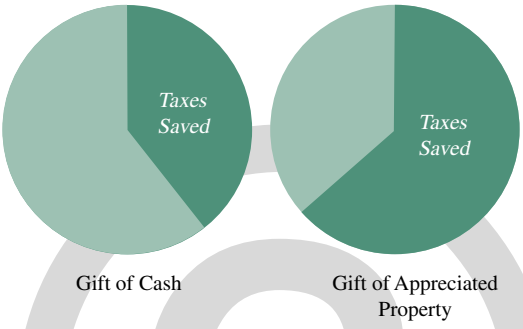
This can result in additional tax savings with little or no reduction in spendable income.

When you make an itemized gift of appreciated securities owned for longer than one year, you can deduct their full value, not just the amount you paid for them. You also do not have to pay capital gains tax that would be owed in the event of a sale.

You are thus allowed to use the "paper profits" in the investment to make gifts while eliminating tax on the gain.

The maximum combined savings from both regular income and capital gains tax can make giving in this way especially attractive.

Cash vs Noncash



Gifts of appreciated securities may be deducted in amounts totaling up to 30 percent of your AGI. As in the case of cash gifts, you can use any excess deductions to reduce taxes in as many as five future tax years.

When securities have decreased in value

If the value of a security is *less* than its cost, it is often best to sell that security and make a charitable gift of the cash proceeds.

You may then be able to take deductions for both the capital loss and the charitable gift, effectively deducting more than the current value of the security.

Giving a security while "keeping" it

What if you are hesitant to give a security that has increased in value because you believe it may be worth even more in the future?

In that case, instead of giving cash, consider giving the security, deducting its full value and bypassing capital gains tax on the amount of the increase. You may then use the cash you would otherwise have given to repurchase the same security at its current price. As a result, you will have the same amount invested in the security as before, but with a new, higher cost basis.

If the security continues to grow in value, you will owe tax only on the increase from the time you repurchased it.

If the value of the investment declines in the future, the capital loss on a sale could reduce your income tax liability in the year the stock is sold, instead of simply resulting in less gain.

Giving Other Property

Other property that has increased in value—such as art, jewelry, antiques or real estate—may also make practical and meaningful gifts. Special rules regarding tax benefits apply when donating these items. Whether or not such gifts are tax deductible and the amount of the deduction

can depend on the nature and value of the property and the way it will be used after it is donated.

Retirement Funds and Life Insurance

There can be special tax and other benefits when you give retirement account assets and life insurance policies.

For example, if you are required to withdraw funds from an Individual Retirement Account (IRA) or other retirement account, you may find that making gifts of these funds can be a good way to minimize, or even eliminate, taxes on a withdrawal, while also removing assets from your estate for federal and/or state tax purposes.

It is also possible for people aged 70½ and older to make tax-free gifts in a total amount of up to $100,000 per year directly from a traditional or Roth IRA to a qualified charitable recipient.

Check with your IRA administrator or tax advisor for more information about making gifts of retirement plan assets.

Life insurance policies you no longer need for their original purpose may also be a good option for making charitable gifts. For example, if you expect to owe less in estate taxes, or if loved ones no longer need the protection provided by a particular policy, consider using that policy to fund a gift.

Gifts of life insurance policies offer a number of tax benefits depending on the policy's value and other factors.

Give and Retain Income

Did you know there are ways to give today while enjoying an additional source of income for your lifetime or other period of time?

Through the use of these special gift planning options, you can make meaningful gifts while you also provide for retirement income, support parents or other loved ones or arrange funding for educational expenses.

These plans typically feature immediate income tax benefits. They can also offer a way to convert low-yielding assets into a source of increased income without incurring capital gains tax at the time of the gift.

A large percentage of your payments may be received free of tax, or taxed at lower rates than other sources of income. Because the assets used to fund such gifts will ultimately be used for charitable purposes, they are generally not subject to gift or estate taxes. You may benefit from substantial savings in addition to the income and capital gains tax benefits described above.

Check with us or your advisors if you are interested in exploring the possibility of giving in this way.

Make a Temporary Gift

There are also ways to make charitable gifts for a period of time before assets are returned to you and/or your heirs.

These techniques allow you to make charitable gifts over time while also reducing or eliminating federal and/or state gift and estate taxes that might otherwise be due.

Making Future Gifts

As part of your financial and estate plans, you may also want to consider charitable gifts that will be received in the future, after you and your loved ones no longer need the property.

Previous tax law changes have increased the amount that can be left to heirs free of federal estate and gift tax.

These changes may make it more practical to include charitable gifts as part of your estate plans, with your heirs receiving the same amount or more than they would have under prior law.

Options for making charitable gifts as part of your estate and financial planning include the following:

Giving through your will is a convenient way to make a gift in the future. After first providing for your loved ones, you may decide to make a gift of a specific amount, a percentage of your estate or all or part of what remains after family and friends have been remembered. These gifts can often be arranged with the simple addition of a codicil (amendment) to your existing will.

Giving through living trusts is another possibility you may wish to consider. Many make use of trusts created during their lifetime (often referred to as *living trusts*) to provide for the future distribution of assets, while also helping to reduce the cost and delays of estate settlement. Charitable gifts can be a practical addition to these trusts. A simple amendment can be all that is required to make a gift in this way.

Giving the proceeds of a life insurance policy no longer needed for its original purpose can also be a practical way to make a future gift. You may name one or more charitable interests to receive all or a portion of a life insurance policy's value at death. In some cases, income and estate tax benefits can also result from giving in this way.

Gifts of retirement plan remainders are gaining in popularity because amounts remaining in these plans may be subject to both estate and income taxes when left to individuals. Charitable gifts of retirement plan balances may be wise from both income and estate tax planning perspectives. (See Page 8 for information about current gifts from retirement plans and life insurance policies.)

Giving investment account remainders is another option. In most states you may name a charity to receive all or a portion of what is left in an investment account.

You may find that one or more of these ways to give will help you meet long-term charitable goals while first providing for your own needs and those of your loved ones.

Coordinating Your Plans

More information about the ways to give discussed in these pages is available upon request.

As a starting point when considering ideas that may be of interest, you may wish to share this booklet with your advisors. They can provide advice given your financial circumstances under the laws in place at the time of your gift.

General Summary of Federal Tax Considerations for Charitable Giving

Gifts of cash

- Deductible up to 50 percent of AGI for those who itemize deductions.
- The higher the tax rate, the more is generally saved from a charitable deduction.
- Limitations on overall itemized deductions may apply for higher-income taxpayers, but state taxes, mortgage interest and other common deductions will normally absorb these reductions whether or not charitable gifts are made.

Gifts of appreciated property

- Generally deductible for full fair market value up to 30 percent of AGI for itemizers.
- Capital gains tax, as well as the Medicare contribution tax, if applicable, is not due when long-term property is given.
- Special rules apply to gifts of real estate.

Special rules for gifts of certain property

- If the intended use by a charitable recipient of donated tangible personal property, such as jewelry, art, etc., is related to the charity's objectives, you are entitled to a deduction for the full fair market value of the property.
- If the intended use of such property will not be related to the charity's objectives, the deduction is limited to the lesser of the cost basis in the property or its market value.

Carryover provision

If more is given than can be deducted, excess deductions may be carried over for use in up to five future years.

Estate tax deduction for gifts

There is an unlimited federal estate tax deduction for cash or other property given to a qualified charity at death.

Potential tax law changes

Congress periodically acts to change the laws applicable to the taxation of charitable gifts. Always check with your advisors to make certain your gifts are made in the most effective ways under current laws and regulations.

See IRS publications 526, 561 and 1771 for helpful information about substantiating your gifts, appraisal requirements for larger gifts of property other than marketable securities and other matters. Your advisors can help you determine how various provisions may apply to you.

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