

LEGACY of FAITH



A FINANCIAL AND CHARITABLE PLANNING GUIDE

Friendship Warms the Heart

Each Monday morning, Roxana Simon brings her special brand of “Simon sunshine” to St. Anne’s. Known affectionately as “Roxie,” she is a familiar face in and around our Home. She became affiliated with St. Anne’s during the difficult time when her mother was a resident here. She faithfully volunteered, while caring for her late husband, and continues to do so as a treasured member of the St. Anne’s family.

Roxie visits residents and helps in the Activities and the Pastoral Care Departments. During good weather, she will take the residents out to the back garden to sit and visit near the pond. She takes the time to be a caring listener. She also coordinates games and an exercise program. “I have learned many things from the residents. I really love people and count many people at St. Anne’s as good friends,” emphasized Roxie.

Roxie brings her own talent as an artist to the residents as well. She has entered and won competitions throughout southeastern Wisconsin over the years. Playful raccoons are one of her artistic specialties.

Chosen as the 2005 St. Anne Award recipient, Roxie was recently honored at our annual Heart and Soul Dinner Auction for her faithful volunteerism and support of our Home.

We at St. Anne’s are blessed with many friends, like Roxie, who believe in this ministry of caring for older adults in a faith-based environment. We are able to continue providing quality services to our residents, in part, because of the generosity and commitment of our friends and benefactors.

Gifts of time, talent and treasure are greatly needed and appreciated at St. Anne’s. Financial support is especially critical to our future. After reading the informative articles in this issue of *Legacy of Faith*, please consider one of the many ways you can include St. Anne’s in your estate plans. We must ensure this tradition of caring continues for generations to come.

Thank you for your continued support of the “Home With the Heart.”

God’s Blessings,

A handwritten signature in cursive script, appearing to read "Lynn M. Vogt".

Lynn M. Vogt
Administrator

INSIDE

- Retirement Plan Assets: A Low-Risk, Tax-Smart Gift
- The Spirit of Philanthropy: A Simple Way to Leave a Lasting Legacy



Roxana Simon is a faithful volunteer who is dedicated to the residents of St. Anne’s, including Mary Flynn, seated, whom she assists after Mass in the Chapel.

Retirement Plan Assets: A Low-Risk, Tax-Smart Gift

An excellent way to fund a charitable gift at death is through retirement plan assets, which are extremely costly in taxation to individual heirs.

You might be tempted to leave your retirement plan to your family or other loved ones. Except for your after-tax contributions, your plan's death benefits are subject to federal income and estate taxes—and possibly generation-skipping and state taxes, thus eroding much of your retirement plan's value.

If you would like to make a charitable gift to us after your lifetime, your best option may be donating some or all of the proceeds of your Individual Retirement Account or other qualified retirement plan, such as a 401(k) or Keogh plan.

If your surviving spouse is the beneficiary of plan assets, he or she can likely receive these benefits estate tax free. At your spouse's death the funds will be included in his or her gross estate—unless they are spent or donated.



With planning, an individual other than a spouse who is the beneficiary of retirement plan assets can benefit from a tax break. By itemizing on the beneficiary's federal income tax return, he or she can deduct any federal estate tax paid on the proceeds.

Tax-Saving Tactics

Making a charitable contribution of retirement plan proceeds after your lifetime is popular because they escape estate and income taxation. Generally, if your estate is large enough to provide an inheritance for your loved ones and make charitable gifts, your best strategy is to give the individuals your non-retirement-plan assets and leave your retirement plan proceeds to qualified charitable organizations such as ours.

Example: Betty is a widow with one child, Alan. Her net estate of \$2 million consists of a \$1 million rollover IRA plus \$1 million in other assets. She decides to split her estate equally between Alan and our organization—naming each of them as a 50 percent beneficiary. If she were to die this year, her estate would not pay any federal estate tax. The estate tax exclusion amount will exempt Alan's share of the \$1 million in other assets, and the unlimited charitable deduction will exempt our share. Half of her IRA, however, would be taxed in Alan's 35 percent federal income tax bracket, at a cost of \$175,000 ($\$500,000 \times 35$ percent).

Betty instead decides to leave us her entire IRA and give the other \$1 million of assets to Alan. The income tax on the IRA is avoided because we can accept the IRA income tax free.

In this example, the 2005 estate tax exclusion amount of \$1.5 million is more than sufficient

to exempt Alan's share of the estate from estate tax. If an individual's share exceeds this amount, however, there will be a tax as high as 47 percent.

When reviewing your plans, be sure to consider the potential income and estate taxes. That way, you—like Betty—may easily turn a taxable estate plan into a tax-free plan.

How to Name Our Organization as Beneficiary

To leave your IRA or other retirement plan outright to our charitable organization at death, simply fill out the plan's beneficiary designation form.

If you are married and your spouse approves naming us as beneficiary, he or she must sign a waiver of rights to the retirement plan benefits (not required for IRAs). If you want your spouse to be the primary beneficiary, however, consider naming us as the contingent beneficiary—in case your spouse does not survive you.

Be sure to obtain expert advice when considering your options and determining your beneficiary designations in order to find a plan that best fits your circumstances.

THE SMART CHOICE FOR A CHARITABLE GIFT

Your IRA may be the best asset to give to your favorite charitable organization. Learn more about the tax laws affecting these gifts in our FREE brochure, *How to Make Charitable Gifts From Your IRA*. Return the enclosed reply card, and we'll send you a copy.

The Spirit of Philanthropy

A Simple Way to Leave a Lasting Legacy

"Being an employee of a charitable organization gives me the opportunity to touch people's lives every day...and I am paid for it!" After working for a nonprofit organization for nearly 21 years, Jeannie Schulte feels extremely blessed. Now, she has found a wonderful, simple way to give back to her employer.

When Jeannie started her first job out of high school, she never imagined how it would change her life. Over the years, thanks to her employer's tuition assistance program, she obtained her bachelor's and master's degrees, while working full time.

"I have been given so much, and I want to give back."

Jeannie met with the organization's development officer to see how she could leave a lasting legacy at the organization close to her heart. "I had heard about planned giving," she explains, "but I had no idea how *easy* it would be!"

After reviewing her assets and discussing her goals for providing for her loved ones and favorite organizations, Jeannie discovered an extremely easy, tax-wise way to make a difference. She named the organization as the beneficiary of her retirement plan.

By filling out the beneficiary designation form, a simple form in which she named the organization to receive a percentage of her retirement funds, the gift was complete. "It really was just one little sheet of paper. It was very easy!"

Jeannie knows that her employer has allowed her to be in the financial position she is in today, and naming it to receive a portion of her retirement funds allows her to show her unending gratitude.



To Tell the Truth: Myths Behind Your Estate Taxes

No matter what the size of your estate, gifts to charitable organizations offer you numerous tax benefits.



Myth 1

Avoiding probate avoids estate taxes. Many people think that they can save estate taxes by taking steps to avoid probate—the process of legally “proving” the validity of your will in a court of law. Yet, the probate process and the amount your estate will owe in estate taxes are not related.

Everything you own, or everything in which you have an interest at death, including assets held in a revocable living trust, is included in the amount considered for estate taxation. Your probate estate only includes those assets that pass via your will.

Myth 2

The marital deduction erases all estate taxes. At the death of the first spouse, all assets typically given to a surviving spouse pass tax free by way of the marital deduction. This is really only a delay tactic; the surviving

spouse’s estate, which includes those assets from his or her deceased spouse’s estate, may have more need for special tax consideration. One strategy to reduce taxes is to provide for a charitable organization at death. Gifts at death to charitable organizations can be unlimited in amount and are estate tax-free.

Myth 3

It is better to leave an inheritance than make gifts now. The gift tax is a tax on your right to give money to other people during your lifetime. Each year, you can give away \$11,000 per beneficiary without paying a gift tax. Once you exceed that amount, you will not owe out-of-pocket gift taxes until you have exhausted the applicable credit of \$1 million (2005 level). In a 47 percent estate tax bracket, it will cost an additional \$886,793 to give a \$1 million inheritance—compared to \$1.47 million for a lifetime gift.



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