PENN-MAR
HUMAN SERVICES
Live Courageously

PLANNED GIVING

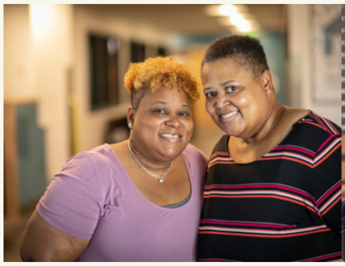
THIS INFORMATION WILL HELP YOU TO:

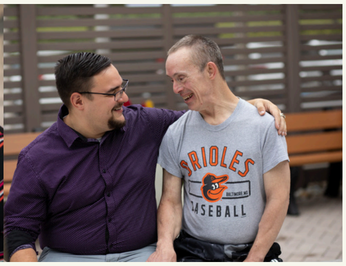
- Discover ways to make gifts to Penn-Mar Human Services you may not have thought possible.
- Learn ways you can make gifts through your long-range estate and financial plans.
- Learn to make the best use of income, gift, and estate tax savings associated with gifts.
- Learn how to give in ways that can “give back,” providing extra income in retirement or to help fund educational expenses and other needs.

We’re here to help you maximize your gifts while preserving and enhancing financial security for yourself and your loved ones.

OVERVIEW

Penn-Mar Human Services is honored by our supporters generously including us in their estate plans after they have first provided for their loved ones. A planned gift to Penn-Mar ensures that we are able to transform life into living for people with disabilities. Planned giving is a more important giving tool than ever, and each year millions of Americans make gifts to charities through their wills or estate plans. Gifts of this nature not only support Penn-Mar’s mission and clients, but often result in tax savings, increased income in retirement years, and other benefits. Proper planning can enable you to make transformational gifts while meeting personal financial planning goals.





PLANNED GIVING

what to give

Cash

Cash, checks, and electronic transfers are straightforward gifts whose tax-deductibility is easily documented through receipts.

Non-Cash Gifts

- Securities (stocks, bonds, mutual funds)
- Retirement plan funds
- Life insurance policies
- Real estate
- Other items of value (jewelry, art, collections, antiques, etc.)

Sometimes non-cash gifts can result in greater tax savings.

Giving Securities

Donating stocks or mutual funds can be a particularly wise way to give if they have increased in value since the beginning of this calendar year—you will receive a charitable deduction for the value of the donated shares, and you will not have to pay any capital gains tax on the increased value of the donated shares.

Giving Stock and Keeping It

Have you owned a security for more than a year, has it increased in value, and do you think it may be worth more in the future? It may be best to give the stock to a charity and at the same time repurchase the same number of shares with the cash you otherwise would have used to make a gift. This will increase the basis in your stock to 100% of its current value and save you capital gains taxes in the future, should you decide to sell the stock. This may also make it possible to benefit from a loss deduction should the stock decline in value before it is sold.

Giving Property That Has Increased in Value

If you have property such as stocks and mutual funds that have increased in value, and you have owned it for more than a year, you are entitled to an itemized charitable income tax deduction based on the property's current value, including any "paper profit." This means you can enjoy greater tax savings from giving that property than from giving cash. A gift of such property does not result in payment, avoiding capital gains and other taxes that could be due if you sold the asset.

Giving Property That Has Declined in Value

If you have stock or other investment property that is worth less than it cost, you will normally save more in taxes by selling that property and giving the proceeds to charity. You may then be able to claim a capital loss on your tax return. You can also deduct the cash proceeds you give as a charitable gift. This can result in tax deductions that actually total more than the current value of the asset.

PLANNED GIVING

giving through a will, living trust, or other plans

Gifts through wills or living trusts are often popular giving mechanisms because they are flexible, simple to execute, and can be changed in accordance with your life circumstances. A simple document prepared by your attorney at the time you make or update your will or trust is all that is necessary.

Ways to Give Through Wills and Trusts:

- Make a gift of a specific amount.
- Designate that a percentage of your estate will be donated.
- Give the remainder, or residue, of your estate – what remains after all other bequests to family and friends are satisfied.
- Provide for a gift of a particular property. Real estate, art, antiques, and other items of value are examples of properties that can be used to make charitable bequests.
- Name a charity or charities to receive a bequest in the event other heirs are not there to receive their legacies.

There is no limit on the amount that can be left for charitable purpose free of gift and estate taxes.
Gifts through your will and other estate plans may be free of applicable state gift and estate taxes as well.

Other Ways to Give Through your Estate

Life insurance and retirement plans sometimes total more than is needed for a comfortable retirement, or life insurance policies are no longer needed for their original purpose.

In that event, it may be wise to use these funds to make charitable gifts. A simple change of beneficiary form may be all that is required to provide for a gift of life insurance proceeds or what remains in a retirement account. There are often special tax savings when making gifts in this way.

Options Using Bank and Investment Accounts

Many people have bank and investment accounts that they would like to leave directly to family, friends, or charities. This can often be accomplished using what is known as a "pay on death" (P.O.D.) provision for a bank account or a CD or a "transfer on death" (T.O.D.) provision for certain other investment accounts. Simply ask your bank manager or investment advisors for the appropriate form. You retain full ownership and access to the funds during your lifetime and you can make changes in the beneficiary in the future if you wish.

To learn more about Planned Giving, please contact:
Kathy Rogers, Penn-Mar Foundation, Executive Director | kathyrogers@penn-mar.org | 443-824-4628

PLANNED GIVING

gifts that provide income to you and others

Did you know that there are ways to make gifts to benefit charities while first retaining income for yourself or your loved ones?

These gift plans may enable you to make gifts you never thought possible as the result of income, gift, and estate tax savings; tax-free asset growth; professional asset management; and other financial and estate planning benefits.

Making charitable gifts does not mean sacrificing your own or your loved ones' financial security. In fact, Congress has provided a number of tax and other financial incentives so that giving in this way can result in meeting a number of goals including:

- Increased spendable income from low-yielding stocks, bonds, or other assets.
- A welcomed source of income to help cover expenses in pre-retirement years.
- Supplemental retirement income that is permanently set apart from other assets.
- Income for yourself, a spouse, or other loved ones in the future if needed.
- Assistance for parents or other loved ones in their later years.
- Providing funds to cover education or other expenses for children or grandchildren.

Charitable Gift Annuities

A charitable gift annuity can be a great way to support a charity's work while enjoying a source of additional income.

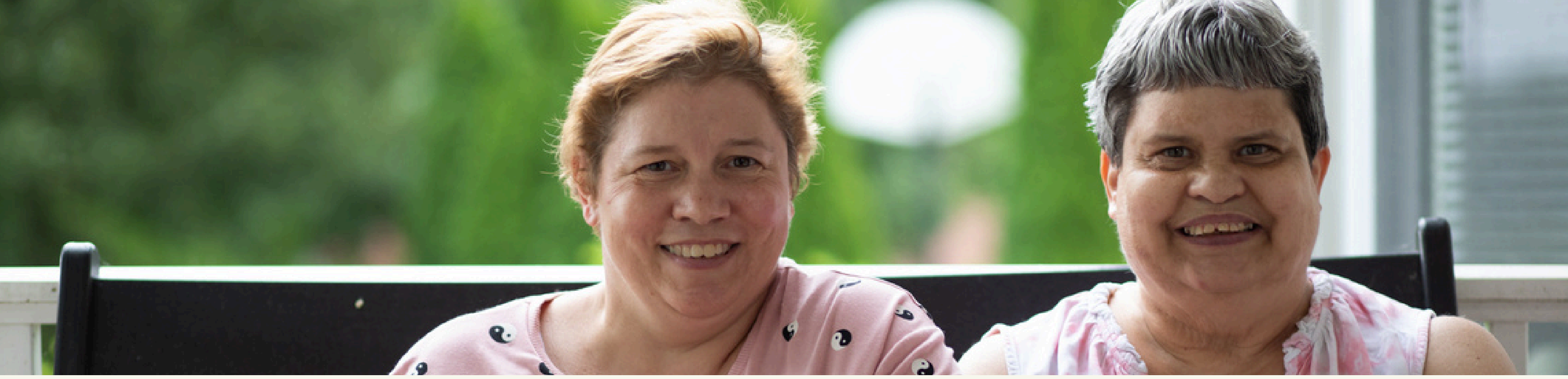
Charitable gift annuities are convenient and simple to establish. There is no need to change your will or other estate plans to fund a gift annuity.

How a charitable gift annuity works:

- You transfer cash or other assets to your charity of choice and in return receive payments annually (or more frequently, if desired).
- The payment amount is fixed and will not change with interest rate and investment market fluctuations.
- Part of each payment is received free of tax for a period of time.
- You are entitled to an income tax deduction equal to the value of the gift portion of your annuity.
- Since the gift portion of your annuity will be used for charitable purposes, the amount of your gift annuity will generally not be included in your taxable or probate estate.

As part of their retirement planning, many persons choose to fund more than one gift annuity over time. As payment rates increase with age, each gift annuity generally features higher payments.

Sometimes funding a gift annuity with property such as stocks, mutual funds, or other securities that have increased in value but yield less income than desired, is a smart way to give. (Continued)



The payments and your charitable income tax deduction will be based on the full value of the property, not the original cost, and so additional tax savings may be possible.

You can also establish a deferred gift annuity. Your gift is completed now, and you receive an immediate income tax deduction for the value of the gift portion of the annuity. The payments will begin at least one year after the annuity is funded. By delaying your payments, your tax deduction and payment rates will be higher.

Charitable Trusts

Charitable remainder trusts are a type of trust that can offer a way to make a future gift after first providing a source of fixed or variable income for yourself and/or others.

Here's how a charitable remainder trust works:

- A trust is professionally drafted by those you choose.
- Assets are transferred to the trust to be managed by you or another party you choose as trustee.
- Payments are made from the trust to you and/or others you name for life (or other permissible period of time you determine).
- You are entitled to a federal (and perhaps state) income tax charitable deduction and you may enjoy capital gains tax savings in the year you create the trust.
- Amounts used to fund your trust may not be part of your probate or taxable estate.
- When the trust ends, its remaining assets become a gift to your charity of choice. This gift portion is known as the charitable remainder.

There are two primary types of charitable remainder trusts. A charitable remainder unitrust provides an income that can vary over time, while a charitable remainder annuity trust makes payments that are fixed and predictable over time.

Charitable lead trusts can be used to make immediate gifts to your charity of choice. These gifts continue for the period of time that you choose. At the end of that time period, assets remaining in the trust are returned to you or other loved ones you determine.

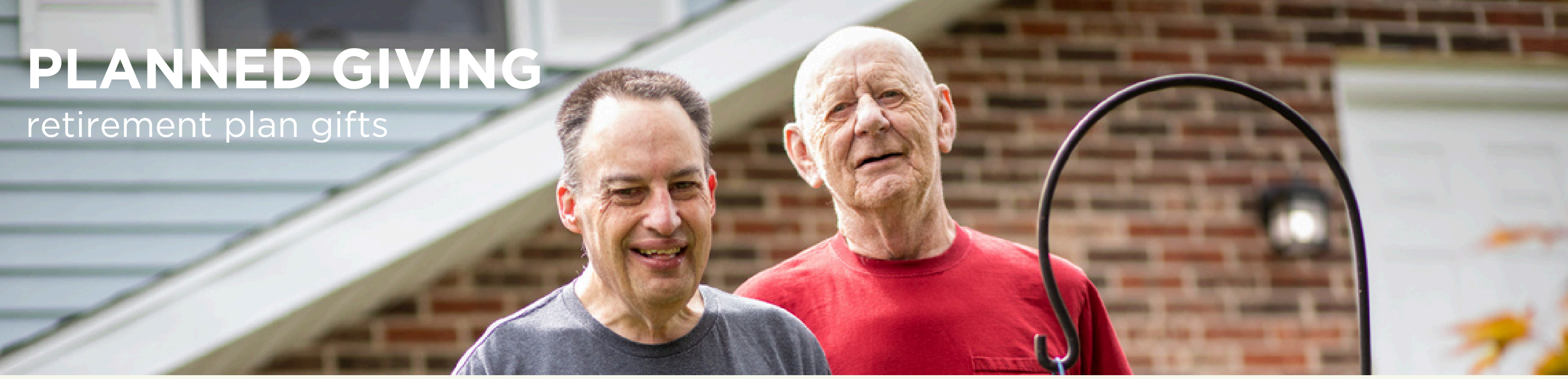
Consider the benefits of a charitable lead trust:

- You arrange for charitable gifts that begin immediately and continue for as long as you decide.
- The amount of the charitable gifts can be fixed or fluctuate over time.
- You or your advisors can continue to manage the funds in the trust, if desired.
- Such a gift can serve to reduce or eliminate income, estate and gift taxes both now and in future years.
- You may be able to provide your heirs with a larger inheritance than would otherwise be possible at a time when it is more appropriate that it be received.

Gift and estate taxes can be due on amounts over a certain amount given to others during your lifetime or through your estate. Depending on the amount of the payments from a lead trust, how long they last and other factors, it can be possible to greatly reduce, or even entirely eliminate, gift and estate tax on any amount received by heirs at the termination of the trust.

PLANNED GIVING

retirement plan gifts



Many people take advantage of tax incentives which encourage saving for retirement through contributions to Individual Retirement Accounts (IRAs), 401(k)s and similar plans.

In addition to income tax savings at the time contributions are made, the assets in the plans then build tax free over time.

Amounts held in tax-favored retirement plans are typically not subject to income tax until they are withdrawn from the plan by the plan owner or surviving heirs.

If You're Over 59 ½

If you are over the age of 59½, and can make withdrawals from your traditional IRA or other tax-favored retirement plan without triggering an early withdrawal penalty, this may be a great avenue to make a charitable gift. You will be required to report the income on your tax return, but when you itemize your deductions, you are allowed a corresponding charitable deduction for your cash gifts up to 50% of your adjusted gross income (AGI). When you are able to deduct the full amount of the gift/withdrawal, this can amount to a "wash" for federal tax purposes and ensure these funds won't be subject to gift, income, or estate taxes.

If You're Over 70 ½

If you are over the age of 70 ½, you may wish to take advantage of an additional tax benefit when you make gifts using funds from a traditional or Roth IRA. It is possible to make charitable gifts directly from IRAs to qualified charities in a total amount up to $100,000 free from federal income taxation. The income tax laws of most states allow tax-free treatment as well. Check with your tax advisor. This provision applies only to IRAs and not to 401(k)s, 403(b)s and other tax-favored retirement plans.

Retirement Plan Estate Gifts May Avoid Double Taxation

You may want to consider including charitable gifts as part of your plans for the future distribution of any balances remaining in your retirement plans at the end of your lifetime.

Since they are included as part of one's estate at death, the assets in tax-favored retirement plans such as an IRA, 401(k), SEP, and similar plans can be subject to federal and/or state estate taxes.

In addition, when heirs receive the balance of retirement plans after payment of estate taxes of up to 40% or more, income tax will also be due—up to 37% or more—depending on state income taxes and other factors. Thus, the combination of income and estate taxes that could eventually be levied on retirement accounts may, in some cases, approach or exceed 50% of the retirement account's value.

Rather than allowing retirement assets to be reduced by the possible combination of estate and income taxes, you can direct that these funds be used to make charitable gifts from your estate. This can actually result in more being received by loved ones than if retirement assets were left to family and charitable gifts were made from other funds.

To learn more about Planned Giving, please contact:
Kathy Rogers, Penn-Mar Foundation, Executive Director | kathyrogers@penn-mar.org | 443-824-4628

PLANNED GIVING

comparing your options

This chart will give you a brief overview of the major features of several planned giving options.

Planned Giving Mechanism	Donor Benefits	Tax Savings	Charitable Benefits
Bequest by Will	Significant gift-giving without impacting funds during your lifetime. Your bequest can be revised at any time.	Federal estate tax deduction for amount bequeathed to charity beyond a donor's lifetime.	A gift to support our mission that extends.
Charitable Remainder Annuity Trust (CRAT)	Fixed annual income to donor and/or other beneficiary(ies).	Income tax charitable deduction for the value of the gift that it is expected will be distributed at the termination of the trust. Value of trust assets at death generally deductible from estate for tax purposes. Capital gains tax bypassed at time of funding.	A substantial gift when the trust terminates.
Charitable Remainder Unitrust (CRUT)	Variable annual income to donor and/or other beneficiary(ies).	Income tax charitable deduction for a portion of the value of the assets placed in trust. Value of trust assets at death generally deductible from estate for tax purposes. Capital gains tax bypassed at time of funding.	A substantial gift when the trust terminates.
Charitable Lead Trust	May provide a means to make a significant gift and have assets returned to a donor, or transferred to loved one at reduced cost.	In most cases either a current income tax charitable deduction or gift and estate tax deductions. Trust may owe income tax on income realized in excess of amounts distributed to charity.	Either fixed or variable payments for the term of the trust.
Revocable Living Trust	Income earned by trust may be paid to donor, charity, or other(s). Opportunity to change the trust (and gift), if desired. Avoidance of probate.	No income tax benefits (unless income goes to charity). When property passes to charity at death of donor, estate tax deduction is allowed for amounts transferred for charitable purposes.	Substantial gift, in many cases larger than the donor could comfortably give otherwise.
Gift Annuity Agreement	Fixed annual payments to the donor and/or other beneficiary(ies). Rate of payment based on age(s) of annuitant(s).	Income tax charitable deduction equal to a portion of the funds transferred. Payments partially tax-free for period of time equal to annuitant's life expectancy.	A portion of the amount used to fund the gift annually.
Cash	Easy and accessible.	Income tax deductible for itemizers up to 60% of adjusted gross income (AGI). Any excess is deductible over the next five years.	An immediate gift.
Appreciated Property	Conserves cash for other uses.	Income tax deductible for itemizers up to 30% of AGI. Capital gains tax not incurred; full value of asset is deductible.	An immediate gift.

To learn more about Planned Giving, please contact:
Kathy Rogers, Penn-Mar Foundation, Executive Director | kathyrogers@penn-mar.org | 443-824-4628