



# THE Future PLANNER

Office of Gift Planning

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## Do Your Plans Still Fit?

**R**ecent years have been ones of tremendous change. Tax law revisions, economic fluctuations, and other events may have greatly affected your long-term financial plans.

In this newsletter, we offer information designed to help you consider how you may wish to modify your estate and financial plans in ways that better serve your needs, both now and in the future.

### *Keeping up to date*

When was the last time you updated your will? Even the best and most comprehensive plan can become inadequate over time.

Many events can affect your will, living trust, or other estate plans. The birth of a child or grandchild is one example. A move to another state or a change in marital status are others. Even changes in the value of your assets may necessitate a revision of your will.

Your will and other plans should reflect your thoughts, desires, and financial picture at a given time. When your circumstances change, so should the documents that mirror them. Most changes in personal and philanthropic goals can be anticipated and provided for through careful planning.

You may be surprised to learn that there are actually ways to promote enhanced security for yourself, a spouse, and/or others while also creating a legacy that will serve to provide future support to your charitable interests.

### *Looking ahead*

Pausing now and taking the time to look ahead can help prevent confusion concerning your intentions as well as unnecessary delay in implementing them.

Please let us know if we can help you and your advisors as you consider the charitable dimensions of your plans.

## INSIDE THIS ISSUE

- The “who” and “what” of your plans
- Ways to avoid a tax trap
- Increase income and reduce estate taxes
- Provide for spouse *and* make gifts of a lifetime

## *Provide for Loved Ones First*

Charitable bequests need not affect your family's future security. After your loved ones have received the property you designate for them, you can include a gift in your will of the remainder of your estate.

A charitable gift of the residue of your estate can also be changed at any time, at your discretion.



## AVOIDING A TAX TRAP

Are you aware that funds remaining in your IRA or certain other retirement accounts can be subject to estate tax rates of 47% or more?

And did you know that, unlike other assets, after payment of estate taxes your loved ones may also be liable for income tax on those amounts? The combined impact of estate and income taxes can actually absorb up to 65% of retirement assets.

That is why many choose to use retirement funds to make charitable gifts through their estates and leave other, less heavily taxed assets to heirs.

A gift of this type can usually be accomplished by completing a relatively simple change of beneficiary form, available from your plan administrator.

# People and Property: the Foundation of Your Estate Plans

The process of reviewing your plans for the future need not be overwhelming. You may find it helpful to begin by spending some time organizing your intentions. This can help simplify what may otherwise become a confusing process.

A good place to begin is with two lists: “People” and “Property.”

### *The “who” of your plans*

People—your family and other loved ones—constitute the first list. With the passage of time, events such as births, marriages, and deaths can change the make-up of families.

Be sure to list each person for whom you wish to provide:

- Your spouse, children, or other family members
- Close friends and associates

Many also choose to include their charitable interests in the same category as the people in their lives.

### *The “what” of your plans*

Next, list property you own or are likely to own in the future. Include pertinent information about:

- Your home(s) and other real estate
- Securities (stocks, bonds, and mutual funds)

- Other investment assets
- Pension plans and retirement accounts (including IRAs)
- Life insurance policies
- Savings accounts and certificates of deposit
- Personal property (household furnishings, automobiles, jewelry, antiques, art, etc.)
- Inheritances you expect to receive

Along with your assets, make a list of debts, or liabilities. When you have completed this list, subtract the liabilities from your assets to arrive at your net worth.

It is also a good idea to list the income, if any, produced by each category of property.

Next, compare your properties to the “People” list. Some properties should obviously be given to certain people. Of the remaining assets, consider how you wish to distribute them—by percentages to different recipients, by specific amounts of cash or property, or in other ways.

Once you have an idea of how you would ultimately like to match your property with the people in your life, your attorney and other advisors can help you determine which tools are best for accomplishing your goals.

# Enjoy Benefits From Giving Today

Now that tax law changes make it possible for many to leave more property to loved ones free of estate tax, you may wish to reexamine the role of charitable gifts as part of your will and other long-term financial plans.

## *Other ways to give*

A number of popular tools enable you to complete gifts in the near term while retaining income for life or another period of time for you and/or a spouse or other loved one. In so doing, you can avoid capital gains tax that would otherwise be due on the sale of the donated assets, enjoy a charitable tax deduction that can immediately reduce income tax, and still minimize or eliminate estate taxes just as if the gift were arranged as part of the settlement of your estate.

## *Income for life*

Nora and Tom Clark have included charitable gifts through their wills. They have recently been told that under current law they may no longer be subject to estate taxes.

In consultation with their advisors, they decide to transfer assets that have increased in value—but which yield little income—to make an eventual charitable gift while they receive generous income payments for the remainder of both of their lives. In this way, they avoid payment of capital gains tax that would have been due on a sale of the stock and are entitled to a charitable income tax deduction that will serve to eliminate tax on a large portion of their income. A percentage of the payments they receive each month will be taxed at rates lower than that paid on other income.

Whatever funds ultimately remain will be used by Nora and Tom's charitable beneficiaries. They are very pleased with their gift and welcome the tax and other financial benefits.

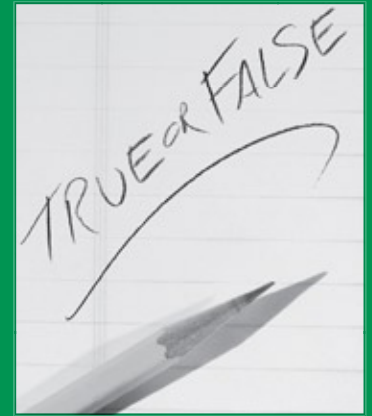
## How Your Will Can 'Work Twice'

Married couples often make wills that provide for trusts to manage assets for the benefit of a surviving spouse for their lifetime. Known as a "marital deduction trust," this plan typically results in elimination of tax at the death of the first spouse while providing income for the surviving spouse for the remainder of his or her life.

Access to assets in the trust can also be arranged if needed. Such plans can provide for professional management of funds and other safeguards for the benefit of the spouse.

What if you would like to make charitable gifts as part of your estate plan but want to first assure economic security for your spouse? Your will can serve to create a marital trust for the benefit of your surviving spouse for life, while directing that all or a portion of what remains at the death of the spouse is devoted to charitable use.

In this way, your will can actually "work twice." First, it helps assure the financial well-being of your spouse, then it works again to direct the ultimate distribution for charitable purposes of your choosing.



## A QUICK OVERVIEW

Take a minute to answer these True or False questions to discover if your plans still fit your needs.

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- ■ My marital status has not changed since my last review.
- ■ I have not moved to another state.
- ■ The person I named to settle my estate is still willing to serve.
- ■ I have not given away or sold property that is intended for an heir.
- ■ My plans have been professionally reviewed in the past three years.
- ■ My charitable interests have not changed.

If you answered *false* to any of these questions, consult your advisors to assure that your plans represent your current wishes.

# Why Consult an Attorney?

## Keeping Up to Date

*Effective estate planning is an ongoing process. Once you create your plan, remember to periodically review and revise it with the help of your advisors.*

With a variety of “do-it-yourself” will planning kits on the market, is there a real need to go to the trouble and expense of hiring an attorney to plan your estate?

For most persons, the answer is probably yes. By working with an attorney who is experienced in estate planning matters, you will see firsthand how he or she can help you and your loved ones by:

- Recognizing pitfalls and taking steps to minimize their impact.
- Staying current on complex state and federal laws, including changes that occur and court interpretations of such laws.
- Helping to reduce or eliminate estate taxes.
- Being familiar with legally correct wording so that your wishes are accurately conveyed.

- Making sure that the impact of insurance and retirement plan designations are considered.
- Safeguarding documents once they are completed.

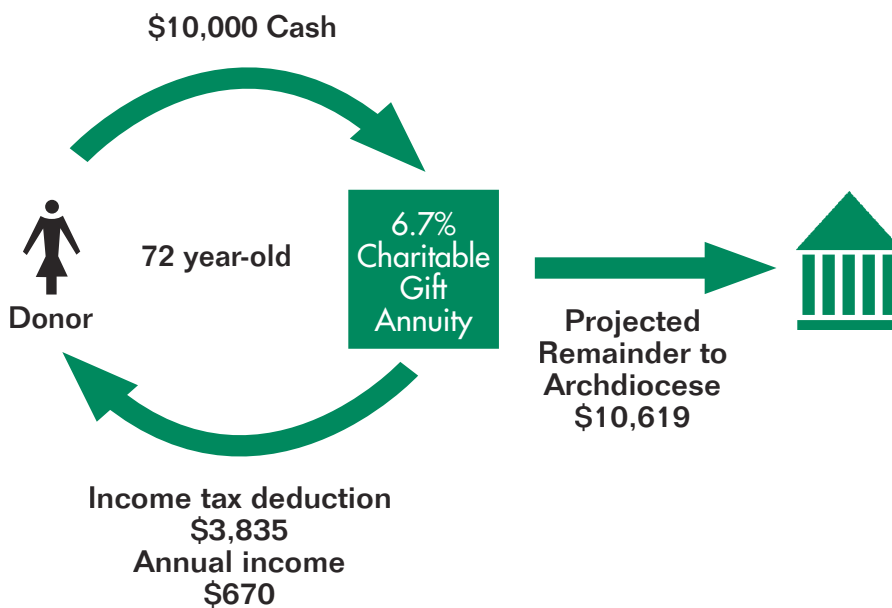
Failure to make estate plans can place a tremendous strain on loved ones at a most difficult time. Investing a moderate amount of time and other resources in good advice today may prevent unpleasantness for those you care about most.

Attorney’s fees for estate planning can be quite reasonable, and most will commit to a maximum fee in advance. If you do not have an attorney, or if you need an estate planning specialist, ask for recommendations from friends, relatives, or your local bar association.

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## 6.7% Charitable Gift Annuity

## Benefits



### Immediate

Income tax deduction of \$3,835.  
May save up to \$1,480.

### Annual

Annual income of \$670 for life,  
\$425 tax-free. Projected total  
after-tax income of \$8,169 over  
14 years.

### Future

The Archdiocese, your parish,  
Catholic Charities, and/or the  
Department of Education pro-  
jected to have \$10,619 in 14 years.  
Reduced estate taxes and costs.