

Building

LEGACIES

Financial & Gift Planning Ideas from your
United Methodist Foundation

Fall 2007

The Power of a Personal Estate Plan

In the face of longer life expectancies and fluctuating returns on investments, planning to meet long-term financial needs can be challenging. This can sometimes require you to balance seemingly conflicting goals.

With thoughtful retirement planning, you may find you can...

- have a healthy financial future for you and your loved ones;
- get significant tax savings;
- enjoy increased income, asset management and other economic advantages and
- arrange what may be your charitable "gift of a lifetime."

Giving through a retirement plan will allow you to make charitable gifts and continue to maintain personal security.

No one likes to see their retirement assets absorbed by taxes. One way to prevent this is to have those assets used to fund charitable gifts you would like to make from your estate. This can actually result in more assets being received by your family than if retirement assets were left to family and charitable gifts were made from other assets in the estate.

**Your
legacy will
extend far
beyond your
lifetime.**

ESTATE TAX Quiz

We invite you to
try your hand at this quiz.

How can you do this?

Amounts left from retirement plans for charitable use are included in the taxable estate, but they are completely deductible from the estate as charitable gifts.

The full amount will generally be received and used for charitable purposes with no income tax due from the charitable recipient.

Other assets that would not be subject to income taxes when received can then be left to family members.

How simple is this?

Your financial advisors can assist you in making a gift from your accumulated retirement assets; the procedure is very simple. Ask your administrator for a beneficiary change form, indicate the amount or percentage of assets you wish to be used for charitable purposes and name the charitable recipient.

You can change your charitable beneficiary at any time, if your needs or wishes change.

INSIDE: Estate tax phase-out.

Up to 50% of a giver's adjusted gross income may be deducted for charitable gifts of cash and "cash equivalents" in a single year.

Review your estate plan from time to time.

Millions of Americans have taken advantage of generous tax incentives provided by Congress to encourage savings for their retirement years.

Estate tax laws also encourage charitable giving through the estate tax charitable deduction. This allows you to pass property to charitable beneficiaries free of estate taxes.

Retirement plans are an excellent "pocket" from which to make a charitable gift. For instance if you are over the age of 59½ and have traditional retirement accounts, you may wish to make withdrawals each year in amounts sufficient to fund your charitable gifts. Your income

Balancing Your Goal

is reported on your tax return while taking a corresponding deduction for your gifts.

This could allow you to utilize these funds in a way that assures they will, in effect, never be subject to income, gift or estate taxes. Recently enacted legislation makes giving through retirement plans even more attractive.

If you are at the point in life when you are, or soon will be, required to withdraw funds from your retirement account, consider the possibility of using those withdrawals for charitable gifts as an integral part of your planning.

1. Unless changed by new legislation, in 2011 the federal estate tax is

- A. repealed.
- B. offset.
- C. reinstated.

2. A bypass trust is a way of

- A. avoiding gift tax.
- B. minimizing estate tax.
- C. aiding heart patients.

3. The marital deduction permits unlimited tax-free gifts

- A. between spouses.
- B. by a married couple to their children.
- C. of personal property.

4. Charitable bequests are free of estate tax,

- A. up to 50 % of adjusted gross income.
- B. when made to a QTIP trust.
- C. without any limit.

5. Income taxes on retirement plan assets can be deferred

- A. during your lifetime until funds are withdrawn.
- B. until April 1 of the year after you turn 70 ½.
- C. if your estate is the beneficiary.

6. Gift-splitting is used by married couples to

- A. double the \$12,000 annual exclusion.
- B. divide funds among children.
- C. evade gift tax.

7. Creative estate planning's primary focus is on

- A. estate tax savings.
- B. family, life and human values.
- C. property values.

ESTATE

TAX

Quiz

Qualified retirement plan options have traditionally featured income tax benefits at the time contributions are made to such plans. Amounts in traditional qualified plans are typically not subject to income tax until they are actually withdrawn by the owner of the funds. The assets in the plan then builds tax-free for future enjoyment.

The Roth IRA, an option introduced in 1997 tax legislation, differs in that it features contributions of after-tax dollars, with tax-free withdrawals in future years.

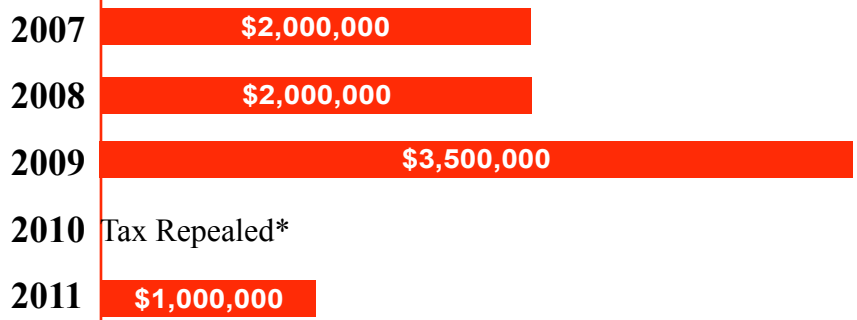
Temporary Income Tax Relief

Because retirement plans are included as part of the taxable estate at death, the assets in qualified retirement plans, such as Individual Retirement Accounts (IRAs), 401(k), Keogh and others can also be subject to federal (and perhaps state) estate taxes.

In 2001 tax legislation, Congress provided that the threshold amount for estate taxation would rise to \$3.5 million per person by 2009. Estate taxation is scheduled to be eliminated entirely for the year 2010; it is to be reinstated in 2011 at the 2001 exemption.

From a tax standpoint, the most efficient way to leave a gift to a favorite charity may be through a traditional Individual Retirement Account or other tax-deferred qualified retirement plan.

Estate Tax Exemption Phase-out



*Estate tax is eliminated beginning in 2010, but provisions of new law call for repeal of all changes unless re-enacted before the end of 2010, so repeal may be effective for one-year only.

Following the Rules

The estate tax rules are more lenient than income tax rules. The full fair market value of the property bequeathed to your favorite charities reduces the value of the taxable estate. There are no percentage limits. With careful planning, you can touch many lives. Your legacy will extend far beyond your lifetime.

How did you do on the quiz? The Foundation is here to provide information and answer any questions you may have. Feel free to call anytime or visit us on the web at: www.niumf.org.

Quiz Answers
 1. C
 2. B
 3. A
 4. C
 5. B
 6. A
 7. B

The Tools to Help

Directing a portion of your retirement assets to charity will help avoid “double taxation”.

In addition to the ideas discussed in this newsletter, there are many other gift-planning tools available. Some have very generous lifetime tax benefits in addition to the estate tax savings. Many of those tools provide generous lifetime income to the donor and/or their family. Any of those tools can be used to help Build Your Legacy.

Each year we meet with many individuals and families to help them explore the various planning tools available and help them select the one that best meets their needs. We would be happy to meet with you to help explore your options and design a gift plan that will help Build Your Legacy.

To Get Started with Your Estate Planning

Complete the enclosed card and return it to the Foundation or call us toll-free at (866) 669-2327.

You are under no obligation by requesting this information.

Get Started on a New
& Exciting Stewardship
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Will You Leave a Legacy?

What will be your legacy after your life on earth is completed? How will you be remembered? Will a bold statement be made about you and your life values?

Leaving a gift that provides support to your church and other important ministries is a way to build your legacy. A gift through your retirement plan can build your legacy funding the support of ministries in your name.



Our Mission Statement

“The Foundation seeks to serve God by assisting agencies, churches and members in promoting stewardship of acquired assets, building of endowment funds, and administering entrusted funds for mission and ministry.”