Life is a balancing act. That's why we're careful to think about the ramifications of important day-to-day decisions. Suppose you're asked to take over a significant volunteer position. You weigh how the added responsibility will impact ongoing commitments. You decide if you have the time needed to do the job. You take into account necessary travel and how it will affect your family.

Suppose the “trip of a lifetime” comes your way. A trip that’s expensive, remote – with an extended period of time out of the country. To decide, you balance personal responsibilities with your desire for adventure. Is it worth the money? Can you be away that long? Would going mean cancelling other important obligations?

Personal and estate planning have different, yet similar, challenges. Each is a balancing act that requires weighing estate and philanthropic choices against the backdrop of personal obligations and future aspirations. Since none of us owns a crystal ball, it’s impossible to predict the future with certainty. It’s easy to feel a bit trapped by the unknown; inertia may make decisions difficult.

That’s unfortunate, because personal planning and philanthropy always go hand in hand. This issue explores a number of simple planning options we think you will find helpful in harmonizing personal and charitable planning goals. Why not take a few moments to consider these ideas?

In the meantime, if we can answer any questions or help you explore these ideas in greater detail, feel free to contact us by phone, email, or simply by returning the enclosed card to request our complimentary brochure – the Taxpayer’s Home Companion. We’re also happy to help with any year-end gift planning options you’re considering. As always, we thank you for your generosity and continued support.

Sincerely,

Ellen M. Brunner
Director, Catholic Community Foundation
A PLANNING PERSPECTIVE

Your gift planning preferences should always be shaped by your personal philanthropic goals. When you want to make a difference for your parish, school, the Archdiocese of Indianapolis or a Catholic Charities agency, charitable giving can be a gratifying and fulfilling part of personal, tax, and estate planning.

The beauty of strategic gift planning is its unique flexibility. There are dozens of options, which means you can tailor your giving to your interests and to your specific views and preferences. You can complete a gift now, qualify for a charitable deduction this year, and arrange future gifts that fit your long-term goals while retaining flexibility that lets you adjust plans as your goals change.

Giving Sooner

Gifts of cash and gifts of stock are simple ways to make a gift that immediately supports our work. Before you make such a gift, it may be helpful to think about some of the reasons why a gift of stock – especially in today’s environment – may be the preferred gift.

APPRECIATED STOCK
A Unique Giving Option

Gifts to a qualified charity such as the Catholic Community Foundation, qualify for an income tax charitable deduction on your tax return. By granting deductions, our federal government recognizes the value of philanthropy and the work that is done by charitable organizations. The effect of this deduction is that the actual cost of your gift is significantly less than the dollar value.

Example: When you make a $10,000 gift of stock, your taxable income is reduced by $10,000. In the 28% tax bracket, this eliminates $2,800 (28% of $10,000) from your tax bill. The actual cost of your gift is $7,200 ($10,000 minus $2,800).

<table>
<thead>
<tr>
<th>Amount of gift</th>
<th>Tax savings</th>
<th>Actual cost of gift</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$2,800</td>
<td>$7,200</td>
</tr>
<tr>
<td>$20,000</td>
<td>$5,600</td>
<td>$14,400</td>
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</tbody>
</table>

Escape capital gains

There is more good news to the tax story. When you make a gift of appreciated stock you have held more than one year, you pay no capital gains tax on the appreciation. So there is a double tax savings – an income tax deduction based on the value of the stock when the gift is made, and avoidance of capital gains tax that would be due had you sold the stock.

Example: Five years ago, Herb purchased stock in an IPO for $20,000. Fortunately, the company became a social media darling and the stock is now worth $50,000. Herb thinks the stock is overpriced in today’s market. If he sells the stock, he pays capital gains tax on $30,000. But if he gives the stock directly to Catholic Community Foundation, no capital gains tax is due and he is eligible for a tax deduction of $50,000. In a 33% tax bracket, the Itemized deduction for the gift reduces Herb’s tax bill by $16,500 (33% of $50,000). And, he also avoids $4,500 in capital gains tax ($30,000 x 15%) that would have been due if he sold the stock.

Net investment income surtax

There’s another wrinkle to gifts of appreciated stock – the tax on net investment income, which is a surtax on “passive” income such as interest, dividends and capital gains. The net investment income tax took effect in 2013. The surtax applies to taxpayers earning more than the threshold amount – over $200,000 for single taxpayers, $250,000 for couples. Taxpayers with significant investment income should pay close attention to this tax because the marginal tax rate could reach as high as 43.4% for those in the top bracket. Gifts of appreciated property escape this tax, which makes appreciated property gifts more attractive than ever.

CHARITABLE GIFT ANNUITY
Enjoy a Lifetime Income from your Gift of Stock

Another technique that integrates philanthropy and personal planning is the charitable gift annuity. In exchange for a gift of stock, you receive annuity payments for life. This gift option is ideal for anyone who wants to support our work, provide income for retirement, and enjoy current tax savings.

PLANNING TIP: A sale triggers capital gains tax. If you have appreciated stock you plan to use for gift purposes, DO NOT sell the stock to make the gift. Instead, arrange for a direct transfer of the stock to us, so no tax is due.

A gift annuity can have one or two beneficiaries and payments can begin immediately or be deferred. Whether immediate or deferred, part of your gift qualifies for a tax deduction in the year it is made.
When appreciated stock is used to fund the annuity, capital gains tax is spread out over the lifetime payment period. In addition, part of each payment is tax-free for the period of the beneficiary’s life expectancy.

**Example:** Elizabeth, age 75, uses stock to set up a $25,000 gift annuity with payments to begin immediately. She purchased the stock several years ago for $10,000. Elizabeth will receive annual payments of $1,450 as long as she lives and the payment amount will not change. For 12 years, $448 of each payment is tax free, $671 of each payment is taxed as capital gains, and $331 of each payment is taxable as income. After 12 years, the entire payment amount is taxable as income. The gift qualifies for a charitable deduction of $11,564.*

*Example for illustrative purposes. AFR 2.4%.

**PLANNING TIP:** Charitable gift annuities are also attractive to taxpayers in the prime of their careers. The immediate tax deduction is timely; deferring payments provides a higher payment rate. More important, there is no maximum contribution amount – a particularly attractive feature for workers who reach their contribution limits in qualified retirement plans every year.

**CHARITABLE BEQUESTS**

**Plan Now, Give Later**

There are meaningful ways to plan a gift today and complete the gift in the future, and there are good reasons for considering this approach. The first Nobel Prizes, made possible by the provisions in Alfred Nobel’s will, were awarded in 1901. More than 100 years later, this gift continues to make an impact by recognizing individuals who have “conferred the greatest benefit on mankind.”

A charitable bequest planned today can be changed or revoked and is a meaningful way to shape your personal legacy. There are many ways to make a bequest. A bequest can establish an endowment fund that provides support year after year – similar to the Nobel Prizes awarded more than a century after Alfred Nobel’s death. Charitable bequests can also support a specific program or department.

**Revocable living trusts**

You can also make a legacy gift using a revocable living trust. Some planners prefer revocable living trusts because, unlike a will that becomes public knowledge, a trust is a private document. Whether estate planning utilizes a will or revocable living trust (or both), you can accomplish specific charitable goals while retaining the right to make adjustments during your lifetime.

**Life Insurance Beneficiary Designations**

A meaningful future gift to support the Church can be as simple as naming the Catholic Community Foundation, the Archdiocese of Indianapolis, a parish, school, agency, or all of the above as the beneficiary of a life insurance policy or retirement account. We can be the primary beneficiary – your first choice for receiving the funds – or a contingent beneficiary, which means we receive the funds only if the primary beneficiary does not. Keep in mind that qualified retirement plan assets are subject to income tax when withdrawn by you or your beneficiary. As a qualifying charitable organization, we do not pay income tax on retirement assets left to us, which means the full amount is used to create your legacy gift.

**STAY TUNED: THE IRA CHARITABLE ROLLOVER**

In years past, the IRA Charitable Rollover has been a way for IRA owners over age 70½ to escape income tax and satisfy required minimum distribution rules by making a direct distribution from an IRA to a charitable organization. This provision expired in 2013. In July of 2014, the U.S. House of Representatives approved H.R. 4719, which includes a permanent extension of the IRA Charitable Rollover. The Senate, however, has taken no action. **IRA owners need to stay tuned – legislation may come from Washington that makes this helpful gift option available again for 2014.**

**KEEP YOUR BALANCE**

Life has a way of altering the most carefully made plans. That’s why it’s important to periodically review your planning to ensure you’re maintaining the balance you set out to achieve.

It is always a privilege to work with you and your advisors to explore giving options that can help you harmonize personal and philanthropic planning goals. Working together, we can consider the impact of changes and explore how charitable giving may fit into your overall planning. Please take a moment to request our complimentary brochure – Taxpayer’s Home Companion – and let us know if there is any way we can be of service.
You don’t need a complicated plan to show a little love to your favorite charity. The Catholic Community Foundation of the Archdiocese of Indianapolis offers the tools you need to express your unique values and charitable giving priorities.

If you’re ready to consider how you will leave a legacy in support of Catholic ministries closest to your heart, consider working with the Catholic Community Foundation to identify pathways for accomplishing your planning goals. One family did just that.

The family’s story began with the decision to create a charitable giving vehicle on their own. The planning strategy offered the family the opportunity to designate charitable gifts for charity work important to them. However, after several years, the family determined there were several elements they did not like about the arrangement.

- They were inundated with requests from charities, which they felt they were not equipped to properly evaluate
- They did not enjoy the process of managing the process – both oversight and administration of the process and the review and designation of funding requests
- They did not have the time to evaluate the requests.

While family members had equal desire to give to charity, they were in agreement that this might not be the best way to fulfill their desire to help others. In the midst of this realization, the family learned of the Catholic Community Foundation (CCF) of the Archdiocese of Indianapolis. Soon after, they met with the Foundation to learn about opportunities to take advantage of what it offers to meet their planning needs.

In those conversations with the CCF, the family learned that:

- Foundation distributions would be made consistent with Catholic doctrine and are made only after knowledgeable evaluation
- Foundation investments would be well managed
- The family would receive comprehensive information in a report form on activities supported by their funds
- The family would be relieved of administrative matters, such as tax filing, correspondence and other necessary forms
- They would still be able to actively participate in funding designations by advising on some distributions through a donor advised option of their fund.

The family made the decision to dissolve the earlier planning tool and transition their charitable giving to utilize the tools offered by the Catholic Community Foundation.

"After a period of time, the donors determined that the Catholic Community Foundation was doing such a good job of managing and distributing the funds, they relinquished the donor advised portion," said Ellen Brunner, CCF director. "The donors now confidently rely on the Foundation to fulfill their wishes and the wishes of the larger family, and we provide a comprehensive report on these actions."

To learn how your legacy and charitable gift planning can be served through the Catholic Community Foundation, contact Brunner at 317.236.1427 / 800.382.9836, ext. 1427 or by email at ebrunner@archindy.org.
We hope this newsletter issue has again provided insight into practical ways to meet your philanthropic goals. Please take a moment to contact us by phone or email if you have any questions or to request more information. As always, we appreciate your consideration and support of our work.

Name

Address

City/State/Zip

Phone

Email

☐ Please send a complimentary copy of the 2014 Taxpayer’s Home Companion

☐ I am interested in making a gift from my IRA - please contact me.

☐ Please send information about making a gift of appreciated stock.

☐ I have a story to share about why I support the Archdiocese of Indianapolis.