Legacy Builder




Southcoast® Health

FINANCIAL AND ESTATE PLANNING OPTIONS FOR SUPPORTING SOUTHCOAST HEALTH FALL 2017

Vanessa and Jay Williams

A family emergency was the catalyst that led attorney Jay Williams, a Dartmouth native, to establish the Williams Estate & Financial Group. In 2009, the country was struggling with an extremely challenging economy that threatened the financial security of many families—the Williams included. It was on a morning in early 2009 that Jay's father, owner of their family law practice, walked into Jay's office and told him that he was sick with pancreatic cancer. While his father was readying himself for treatment, he asked his son to prepare for the worst.

In looking over what he had believed to be a sound estate plan, Jay was shocked to learn that, even though his father had done some planning and had all the proper legal documents in place, in the

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If and Then: What Happens Next?

Mathematicians and computer programmers use conditional statements—*"If a, then b"*—as crucial building blocks for countless theorems and algorithms. Some are quite simple, while others can be exceedingly complex.

Of course, we encounter *"if-then"* logic on a regular basis outside the math realm. We don't have to be experts in physics or gravity to know that if we drop an apple, then it will fall to the ground. We also know that if we need medical attention, then we should consult a Southcoast physician (rather than simply relying on information found on the internet).

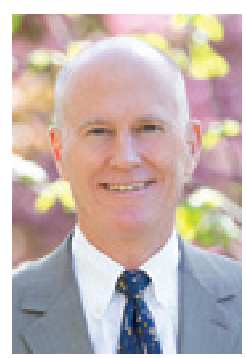
If-then principles can also apply to gift planning. In this issue of *Legacy Builder,* we look at some of these principles and how they can be used in specific situations.

We invite you to take a few moments to read further and learn more about some of the *"if-then"* realities that may be helpful in your estate and charitable planning. Please contact us if you have questions or would like to receive our free brochure, *10 Year-End Taxpayer Strategies*. Just return the attached card, send an email, or give us a call. Thank you once again for your ongoing support of Southcoast Health.

Sincerely yours,

Jack

Jack Dresser
Senior Vice President &
Chief Philanthropy Officer



Income Matters

Income matters and, for some, one year can be significantly better than others. If you expect to receive a large boost in income, then the timing of a charitable gift is important. Gifts, of course, qualify for a tax deduction in the year they are made. If you expect more income this year from earnings or investments, a gift made by December 31 can reduce your tax bill significantly.

A tax deduction makes a real difference

Generally speaking, the higher your income, the greater your tax bill. As your income increases, the percentage of tax that you are expected to pay on your income also increases. The lowest federal income tax rate is 10%. When an individual reaches specific taxable income thresholds, the rate increases to a maximum rate of 39.6% for individual taxpayers with taxable income over $418,400.

The key to a lower tax bill, then, is a lower taxable income.

EXAMPLE: George was rewarded with a significant bonus this year and knows his taxable income will be higher than the last few years. He is in a position to make a substantial gift and decides to give $50,000 to our endowment fund. By making this gift, George's taxable income is reduced by $50,000, which saves him $16,500 in taxes. The true cost of his gift is $33,500—the difference between the gift amount and the tax savings ($50,000 – $16,500 = $33,500).

PHOTO BY MICHAEL EATOUGH

Appreciated stock

Another option that can make an important tax impact is a gift of appreciated stock. For stock held more than one year, the full amount of the gift is deductible and no capital gains tax is due on the stock's appreciated value. Assume, for example, that Sally purchased stock for $5,000 and it is now worth $20,000. If Sally makes a gift of this stock, she can deduct the full $20,000 value if she itemizes her taxes. In addition, she pays no taxes on the $15,000 appreciation. It's a double tax benefit—a tax deduction and no capital gains tax is due.

There is another reason for considering a gift of appreciated stock—particularly if you are considering selling stock. The net investment income tax is a 3.8% surtax that applies when an individual reaches specific income threshold amounts ($200,000 for singles and $250,000 for couples). Capital gains tax from the sale of appreciated stock can trigger this surtax. By making a gift of the stock, you can avoid the net investment income tax.

When your glass is completely full

Qualified retirement plans have strict annual contribution limitations. If you reach your contribution limit, then you may want to consider a charitable gift annuity—a way to make a gift that qualifies for a tax deduction and provides income for retirement.

EXAMPLE: Eileen, age 60, contributes the maximum amount to her qualified plan every year. She would like to support our work, but she is keenly interested in ensuring that she will be able to meet her future retirement needs. One option that accomplishes both goals is a charitable gift annuity. Eileen can make a $25,000 gift today and defer payments for 10 years (when she plans to retire). The gift qualifies for a tax deduction of $10,415.* Eileen will begin receiving annual payments at age 70 of $1,675—and those payments will continue for life.

Charitable gift annuities can have one or two income beneficiaries. Furthermore, you can establish multiple gift annuities and they will not affect qualified retirement plan arrangements in any way. For many of our supporters, charitable gift annuities are a welcome and strategic way to meet both retirement and charitable goals.

**Example for illustrative purposes, AFR 2.2%.*

Controlling Your Assets

If you want to balance the need for financial security with the desire to make an impact on our mission, then you may be interested in giving options that allow you to support us in meaningful ways while maintaining control of your assets.

A gift in your will or trust

A simple and effective way to make a personally meaningful gift is to include Southcoast Health in your will or living trust. In addition to supporting our work, you set an example that encourages others and expresses the values that are important to you.

Whatever the size of your estate, it's important to have an up-to-date will or trust that details the ultimate distribution of your assets. It's easy to include a charitable gift during creation or to amend an existing will or trust—you need not draft an entirely new document in order to add a gift.

There are a variety of options when deciding how to make a gift in your will or trust. You can allocate:

- A percentage of your estate
- A specific amount
- Your residual estate—what is left after all other obligations have been met (costs, debts, taxes, and other specific designations)

You can also direct assets into a charitable remainder trust. The trust can pay an annual income to your named beneficiaries for life, with the remainder of the trust assets distributed to Southcoast when the beneficiaries die.

Retirement assets

Since none of us can predict how long we will live or what will happen to the economy, one retirement question remains: "Will my assets last a lifetime?" Most of us want to preserve qualified retirement plan assets as long as possible; nonetheless, under the right circumstances, retirement assets can be used to meet charitable goals.

If you are an IRA owner age 70½ or over, your annual required minimum distribution (RMD) presents a gift opportunity. You can direct your IRA custodian to make a qualified charitable distribution (up to $100,000) from your IRA directly to us. This distribution counts toward your RMD and no tax is due! It's a simple, tax-wise way to meet charitable goals and make an immediate impact at Southcoast Health, and you are allowed to make these gifts every year.

Another excellent way to use retirement assets is to name us the beneficiary of your qualified retirement plan. There are two distinct benefits. First, you retain lifetime control of your retirement funds. Second, if you leave these tax-deferred assets to heirs, they must follow distribution rules and pay income tax on funds upon distribution. Leaving other assets to loved ones (appreciated stock, for example) can be better for them from a tax standpoint.

Property possibilities

If you own a second home or other property that you no longer wish to own or manage, a gift of real estate may be a sound and practical financial decision. Selling highly appreciated property can result in a substantial tax bill, with the gain taxed at 15% or 20%. But like gifts of appreciated stock, the gift of a home or other real estate lets you enjoy an income tax deduction for the full value of the property while avoiding the capital gains tax on the appreciation!

EXAMPLE: Nathan owns a vacation home worth $500,000. He purchased it over 20 years ago for $100,000. Selling the home will result in a substantial capital gains tax on the $400,000 appreciation. Instead, Nathan makes a gift of the property. He qualifies for a tax deduction equal to the full value of the property—$500,000—and no capital gains tax is due.

Make It Happen

Whether you are planning a year-end gift or a long-term strategy for including charitable giving in your estate plan, it would be our pleasure to help you examine your options. Good planning makes great things possible. Just email, give us a call, or return the enclosed card to find out more. Be sure to ask for our free guide, *10 Year-End Taxpayer Strategies*, which will help you examine how a year-end gift might fit into your overall planning. Thank you again for your thoughtfulness and generosity—we look forward to hearing from you.

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event of his passing all of his father's assets would most likely need to be sold to pay estate taxes, leaving the family with close to nothing. This difficult experience taught the Williams family that, while many people think that they have a solid estate plan in place, often that is not the case. Although they may have done some estate planning, an effective plan needs to be consistently monitored, updated and reviewed.

Jay began his company to promote thorough, holistic estate planning, never wanting any family to be in the position that his was in. Today, Jay and his wife Vanessa, who oversees marketing and client relations, work to help families understand their overall estate planning and the importance of keeping plans up to date.

"It's not always what trust vehicles you have, it's the specific assets within the trusts that make a difference," said Jay.

Thankfully, Jay's father figured out the best estate plan possible—surviving—and now spends his days focusing on giving back to other families and the community. Jay and Vanessa, parents to two young children, believe charitable giving should begin with a plan—not just an estate plan, but also a tax and financial plan. They also stress the importance of being open with family members and including them in the estate planning process. "A family meeting to discuss what your plan is, even in general terms, is always a good idea," said Jay. "You can always make more money, but you can't always put your family back together."

While the desire to give back to their community is the primary motivator in the Williams' charitable giving, other factors are significant—such as tax deductions, avoidance of capital gains tax on appreciated assets, and reduced estate tax liability. They also value being able to determine exactly where and when to give, rather than having the government dispose of personal assets inefficiently. In their work, planned giving means crafting a charitable plan that maximizes a client's philanthropic reach while minimizing estate taxes and retaining assets intended for the family. Helping clients maintain control over their gifting to beneficiaries is another essential goal.

"It's important to educate people on all of their options," said Jay.

At Williams Estate and Financial Group, you can sit down with a fiduciary to discuss a plan that maximizes benefits to your favorite charities as well as to your family. Contact Jay at jay@williamsefg.com or 774.992.7444 or visit www.williamsefg.com.

Southcoast® Health

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