

**Planned Giving Tip**  
**December 2005 #2**  
**Will Planned Giving Die With the Estate Tax?**

In his recently published article entitled "Will Planned Giving Die With the Estate Tax?," noted planned giving expert Robert F. Sharpe, Jr., writes the following:

"On January 1, 2006, ongoing changes in federal estate tax laws will usher in a new era in charitable gift planning. Whether donors are considering a gift in the form of a bequest through a will, the remainder of a retirement plan, a gift of life insurance proceeds, or other means, estate tax considerations will play less of a role in motivating donors to make gifts that are completed through their estates at death.

That's because the amount that individuals can leave through their estates free of federal estate tax will rise to \$2 million on January 1 [from \$1.5 million this year]. This will result in the elimination of estate tax for over 99% of Americans...While it will be some time before we know the full impact of the elimination of the estate tax on charitable bequests, charities that have long encouraged donors to leave funds to charity to avoid estate tax may have to rethink their approach. Complex plans driven by state of the art software that rely on charitable gifts to eliminate taxes will simply be irrelevant to the vast majority of donors...

Does this mean the end of planned giving? Of course not! In fact, approached in the right vein, we believe the elimination of estate taxes can represent a tremendous opportunity to encourage charitably inclined persons to make larger bequests for charitable purposes than they might have previously considered...

For example charitable gifts of retirement plan assets during lifetime and at death will remain a wise option. These assets are now potentially subject to both income and estate tax. If the estate tax is eliminated, income tax will continue to be due on the amounts left to heirs from retirement accounts. For that reason, it will still be prudent to direct amounts remaining in retirement accounts to charitable use and leave nontaxable assets to heirs.

There are untold billions of dollars outstanding in life insurance policies in America. Many of these policies are maintained for the purpose of paying estate taxes on real estate, businesses, art collections, and other illiquid assets. If no estate tax is due, the windfall in many estates will come in the form of life insurance policies that are no longer needed for their original purposes. With the jury still out on whether estate taxes will be eliminated for everyone, a wealthy individual would be ill advised to allow insurance policies to lapse. These persons could leave all or a portion of the insurance policies to their charitable interests if they are no longer needed to pay estate taxes on the amounts left to their heirs...

[In conclusion], funds previously redistributed involuntarily by the government through estate taxes can now be thoughtfully divided on a voluntary basis between family and charity. Now more than ever, the mission of your nonprofit organization matters most as donors decide how to vote with dollars they have inherited or accumulated themselves."

I've said it many times, but it is worth repeating: We should never be fearful to ask people (regardless of their means) to support the work of the Church with an estate gift (or any other type of gift for that matter). The Church's teachings -- and lived examples of those teachings -- are needed more now than ever. Let's make the stewardship of assets a priority in 2006 and give our donors creative ways to remember your parish or school in their estate plan.

May God bless you and your families with a blessed new year and a 2006 filled with His mercy and peace.

John