

**Planned Giving Tip**  
**August 2007 (Issue 2)**  
**Create Your Own Philanthropy**

I'm sure many of you are nervous about the recent volatility in the stock and credit markets. While no one knows what the market will do in the future, I wanted to share a comparison. The DOW stock index stood at about 13,400 on June 30, 2007. After the recent big drops, the DOW stands at about 13,000 (as I write this at 9:30am). While it is true that the DOW has lost some 7% of its value from the peak of 14,000 in mid-July, it's not really doing that badly compared to the recent Foundation fourth quarter report that you received.

Our investment advisors indicate the most likely scenario is a correction of maybe 10% or so, with a return to the bull market (gains) for at least the rest of the year. The bad news for us is that it will probably be a choppy ride (ups and downs along the way). Please try not to worry about your accounts' short-term results. If you do, it will give you grey hair, but not make a bit of difference in the results! Prayer, on the other hand, always works. So you can pray for the wisdom of our investment managers, that they make good investment choices.

I have compiled a 10-year return history of the Foundation showing what each fund (Growth, Balanced, and Income) gained or lost each year over this time period (click on the link above). You might find this interesting and useful in sharing with your parish leadership. It can be found on the Foundation web site. Just so you are aware, the Foundation website can be found at [www.FoundationRockford.org](http://www.FoundationRockford.org).

It's also time to think about a wills seminar for the fall. I encourage you to contact me if you'd like some pointers on just how to go about preparing for a wills seminar at your parish or institution. If you're already a veteran and are ready to offer another seminar, give me a call to get a date on my calendar. Remember, I'm here to help your parish or institution meet its long-term goals through planned gifts!

The Gospel readings of the last several weeks have, among other things, shared with us some wisdom on good stewardship. Particularly of not storing-up more than we can use and encouraging us to help those who are less fortunate than we are. Are we truly good stewards of our wealth?

Below is an article from Wachovia Securities (the Foundation's Investment Monitor) that I thought informing. It outlines several ways people may plan for "sharing their wealth" with charities (including their Church!). It is re-printed here with permission.

Enjoy – and keep planting seeds!  
Greg

*"All temporal and spiritual goods are created by and come from God... One day God will require an accounting of the use each person has made of the particular portion of these goods entrusted to him or her." US Bishops' Pastoral Letter: Stewardship -- A Disciple's Response, p. 20*

## **Create Your Own Philanthropy**

*“There is a real host of gifting strategies to fit individual needs. It’s not just the province of the super-wealthy individual anymore.”*

Charitable foundations and trusts are now open to investors at all levels, providing an opportunity to help others while making the most of the familial and financial benefits.

Creating a charitable legacy through a trust or foundation was once an opportunity available only to the very wealthy. But with as little as \$10,000, you can actively support cherished causes while maintaining influence or even direct control over how the funds are used. Beyond the good works such endeavors allow, charitable vehicles generally generate tax benefits and provide the opportunity for multiple generations to guide and grow the charity together.

“Philanthropy is probably more in the forefront of people’s minds than ever before,” says Mark Land, Regional Philanthropic Advisor for Wachovia Trust. “There is a real host of gifting strategies to fit individual needs. It’s not just the province of the super-wealthy individual anymore.”

For those considering charitable donations beyond writing a check to a nonprofit, three primary methods are available to create your own philanthropic vehicle: donor-advised funds, charitable remainder/lead trusts and private family foundations.

### Donor-Advised Funds

Donor-advised funds generally can be established for as little as \$10,000, and are perhaps the best choice for those starting with a low initial donation. Funds are set up with an intermediary, like a brokerage, or directly with a nonprofit. When a fund is founded in a family name, family members can recommend which nonprofits should receive grants from the fund. Keep in mind, however, that while administrators generally want to fulfill your wishes, they have the final decision on how funds are distributed.

Administrators of donor-advised funds handle the paperwork and manage the principal to make sure the fund remains viable. Managed correctly, a fund can generally exist in perpetuity, allowing future generations of your family to participate. Donations into donor-advised funds are usually tax-deductible in the year given, up to 50 percent of the donor’s adjusted gross income.

### Charitable Remainder and Charitable Lead Trusts

If you want to support a cause while ensuring that your loved ones are looked after, charitable remainder and charitable lead trusts are two possible options. With a charitable remainder trust, income generated by the trust is paid out for a set period of time to a beneficiary, such as the donor. After that period expires, the trust’s assets go to one or more charitable organizations that you choose. A charitable lead trust is the mirror opposite — the charity receives the income and the remaining assets pass to the donor’s beneficiary.

Charitable remainder trusts, in particular, are ideal vehicles for donating low-cost-basis but highly appreciated assets, such as real estate or stocks.

### Private Family Foundations

Private family foundations are an option for donors who want to create a lasting legacy and involve their family and heirs in their philanthropy. Family members can sit on the board of directors and may even receive a reasonable stipend for their work on behalf of the foundation. If managed properly, a family foundation can generally exist in perpetuity, maximizing the value of your original gift across generations.

Family foundations also offer the greatest potential to control grant-making. The donor family solely determines the size and recipient of a donation, and is free to change the foundation's goals over time. The tradeoff is that a foundation needs to pay out five percent of its fair market assets annually or face a tax. Also, by contrast with other charitable vehicles, the tax filings are public.

According to the Council on Foundations, administrative expenses should be no more than 15 percent of assets annually. For foundations with less than \$1 million in assets, this usually means a full-time staff is not cost-effective. Instead, family members must be ready to perform the functions of the foundation.

### Let Your Goals Guide You

Decisions about how to direct your charitable giving should be based on individual circumstances, says Katie Swain, Manager, Personal Trust Services at Wachovia Securities. "The key things are your philanthropic intentions and your estate plan. You should work with your attorney, your Financial Advisor and, in some cases, with the charity you already have in mind."

Donors should also be mindful of the best way to maximize the effectiveness of their donation. For instance, if you have \$500,000 in assets and want to support cancer research, you may have more impact with a donor-advised fund than with a private family foundation. The lower overhead, for example, could allow more money to go to the charity. On the other hand, a foundation may be much more influential with a "niche" cause that may require more attention than a trust or donor-advised fund can provide.

These charitable vehicles make it easier for donors at all levels to pursue meaningful philanthropy. The net result can be a lasting charitable legacy and a viable, tax-efficient way to support the causes that mean the most to you.