# Planned Giving News

Catholic Diocese of Rockford — January 2008

**In This Issue**



**From Greg Urban, Diocesan Director of Planned Giving**

Dear Greg :

I pray your new year has started on the right foot. In this issue I have included an article I call "Nuts and Bolts. More than you may want to know..." This shares some in-depth information for those of you inclined to learn more about the intricacies of planned gifts. I hope a few of you will find it useful. If you would prefer not to have technical articles included in this newsletter, drop me a note. May the Lord bless your parish, school, or organization in this New

## What's with the Market?

*Below is the summary from an article offered by a local investment management firm. It may serve to calm your fears regarding the recent volitility in the financial markets.*

"We need to keep our wits about ourselves. If you are like most people, you feel anxious right now. Anxiety is not surprising, given the increased market volatility and recent declines. Still, stock prices are now fundamentally inexpensive relative to recent years. Remember the positive statistics. The glass might just be half-full! We believe it very possible that we're poised for significant gains over the next few years. Of course, in the short-term, valuations mean little. Stocks can drop when valuations are already low. Furthermore, stocks can rally strong even when they are overvalued. Why? In the short-term, markets are 80% emotional. And emotional markets essentially ignore fundamental valuations. In contrast, in the long-term, markets are 98% logical. Said differently, in the long-term, valuations really do matter. What should investors do now? Since it is impossible to predict the future, just stay the course. Stay with your long term strategy, ignore the market commentators, and read a book or watch a show completely unrelated to investing. Letting the market work, as it does 24/7, is the best and most reliable approach."

*The Catholic Foundation returns for the quarter ending December 31, 2007, compared very favorably to our internal benchmarks. The Foundation results were: Growth -1.5%, Balanced 0.0%, and Income +3.6% vs. the benchmarks of -3.4%, -1.5%, and +3.0% respectively. Foundation Participants will be receiving their account statements shortly.*

## Web-based Giving Calculator Available

We're pleased to offer you and your parishioners a new resource: *GiftCalcs Gift Calculator*. The calculator provides charitable deduction and income calculations for a variety of planned gifts offered by the Diocese of Rockford. Follow the underlined link to our web page, then click on the ***GiftCalcs*** logo. The calculator is provided by PG Calc, a company that specializes in tools for planned giving. This resource can help prospective donors evaluate various planned gift options, without pressure, in the comfort of their home or office.

We invite you and your parishioners to explore the financial impact of different gifts by entering basic information, customizing the figures, and changing options. Prospective donors can choose whether to give their name and address in the fields provided or to remain anonymous. They can also choose to have us contact them about a gift to their parish or school or for other options not listed. Of course, if they prefer, they can still call the Planned Giving Office to explore available gift options. I encourage you to promote this new resource to your parishioners and the parents of

Year.

**Keep planting seeds!**

**Ministry Quicklinks**
Rockford Stewardship web
Catholic Foundation web

children in your schools.

## Basic Estate Planning Documents

An attorney at a recent Estate Planning Seminar offered participants some basic documents that he felt everyone should have executed and stored in a safe place. These consist of a simple will, a Health Care Power of Attorney, and a Property Power of Attorney. Having these documents, properly executed, will help your heirs with the tough decisions that arise upon your incapacity or death. I am making them available, with the appropriate caveats, from the Planned Giving Resource page of the Diocesan Stewardship web site. I invite you to click on the underlined link and take a look.

## Bulletin Blurbs

**Bulletin Messages for the New Year**

1. Make passing on your Catholic heritage your first resolution of the new year. Your planned gift to our endowment makes you an eternal steward of our parish.
2. **Did you know?** You can have an everlasting influence on the lives of families in our parish. Please contact your attorney and instruct him or her to include a bequest for our parish in your Will or Trust.

## Nuts and Bolts. More than you may want to know...
## Beyond Charitable Rollovers: IRAs and their IRD Cousins

It's clear - even to Congress - that donors and charities have been very pleased with the temporary IRA charitable rollover provision contained in the Philanthropy Protection Act of 2006. Although the IRA charitable rollover is set to expire at the end of December 2007, the gift planning community is working hard to convince lawmakers to continue, and ideally to expand and make permanent, the tax incentives for using IRAs to make charitable gifts during life.

At this late date, it looks doubtful the IRA charitable rollover provisions will be extended before they expire. However, it is possible that extension legislation could pass in 2008 that is will be retroactive to January 1, 2008. Regardless of whether or when this goal is achieved, it will remain important to acquaint your supporters with the advantages of using IRAs and other retirement plan assets to make charitable gifts upon death.

**A Typical IRA is an IRD Asset, and that's a *Good* Thing!**
Quite often a person who has died was the owner or beneficiary of something which, had the person remained alive, would have been a source of payments that would have been taxed as ordinary income. If upon death others then become entitled to receive such previously untaxed amounts, those payments constitute "income in respect of a decedent," or IRD for short. Most distributions from an IRA made after the IRA owner has died are common examples of IRD. (The only exceptions are distributions from a Roth IRA or distributions attributable to contributions of after-tax dollars made by the decedent to some other type of IRA.)

The good news for charities is that by virtue of their tax-exempt status, no income tax will be due on any IRD they receive. This means that if a donor's estate plan calls for benefiting both individuals and charities upon death, it is most efficient from a tax standpoint to draw upon IRD assets in making charitable gifts and to earmark other assets for individuals. Not all donors are aware of this fact, so charities need to keep up, and perhaps even step up, their efforts to spread the word.

An additional feature that distributions of IRD to charity share with other testamentary charitable gifts is deductibility of the distributions for estate tax purposes. Nevertheless, given the likelihood that fewer and fewer estates will be subject to estate tax in the years to come, it is the income tax aspects of distributing IRD to charity that offer tax savings for most heirs.

**Other Members of the IRD Family**

The closest cousins to IRAs are qualified retirement plans, such as 401(k)s and 403(b)s. More distant kin include certain U.S. savings bonds and certain commercial annuity contracts. "Certain" applies because some savings bonds pay interest that was taxed to the decedent as soon as it was received by him or her, and some annuity contracts do not have any residual value available to benefit someone else once the donor has died. However, if a commercial annuity has residual value after the donor's death, such an annuity is considered an IRD asset.

**Relative Simplicity as a Further Selling Point**

A standard bequest involves the formality and expense of drafting and executing a will (or a trust agreement, in the case of a testamentary charitable distribution from a revocable living trust). By contrast, directing that assets in an IRA go to charity upon the death of the IRA owner involves merely completing a beneficiary designation form and filing it with the IRA custodian. The process is essentially the same with respect to qualified retirement plans. Moreover, whenever a change might need to be made, the same process can be followed, whereas with a will or a living trust agreement any change entails following a more complex process.

Usually, a charity is designated to receive a percentage of the assets remaining in the IRA when the donor dies. While it is also possible to designate a particular sum (provided the IRA continues to hold at least that amount by the time the donor dies), estate planning lawyers generally advise that the sum be expressed as a fraction, the numerator of which is the sum itself and the denominator of which is the total value of the IRA.

Even with a commercial annuity contract, designating a charity as the beneficiary of some or all of whatever value may remain in the contract upon the death of the donor is usually just a matter of completing a beneficiary designation form and filing it with the insurance company. In the case of a savings bond, however, the donor will need to work through the Treasury Department or a bank to arrange for a specific charity to be named on the bond itself as the subsequent owner of the bond upon the death of the donor.

Despite all of the forgoing, there can be times when it is advisable for the donor's estate to be the recipient of IRD. Normally, this will result in the IRD being taxable to the estate. Fortunately, it is possible for a donor's will to direct that the administrator of the estate draw first on IRD assets in making any charitable bequests. Such language will generally allow for the IRD to be recognized by the charitable beneficiaries, rather than by the estate.

*In short, while IRA beneficiary designations and various other testamentary gifts of IRD assets are fairly easy to arrange, a donor should - as always - be encouraged to consult with his or her advisors regarding the appropriateness of a contemplated charitable gift in terms of the donor's overall estate plan.*

**Getting Fancy**

Can IRD assets be used to make a testamentary gift that provides life income for surviving loved ones? Absolutely. Numerous IRS private letter rulings address the details associated with funding charitable remainder trusts and gift annuities with distributions from IRAs, and many of the same considerations will apply to other IRD assets as well.

**Conclusion**

Much attention has been paid to the temporary IRA charitable rollover that became available in August 2006 as part of the Philanthropy Protection Act of 2006. While this excellent giving option may or may not persevere beyond its current expiration date, IRAs and other IRD assets will continue to be excellent sources of funds for *testamentary* gifts to your charity. You will do well to get this message out to your supporters early and often.

## Contact Info

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