

## Plan Now for Later

**D**id you know that more than 60 percent of Americans do not have a valid last will and testament? Many believe that this all-time high is a direct result of tax uncertainty over the past ten years.

Now that a new tax law is in effect and much of that uncertainty has been reduced—at least temporarily—perhaps it's time to review and update your gift, estate, and financial plans.

### *What happened*

At the end of last year, you may have been one of a number of taxpayers facing the possibility of an increase in taxes on income, dividends, and capital gains as well as the return of the federal estate tax. Had Congress not acted, millions more taxpayers would have found themselves subject to the Alternative Minimum Tax (AMT).

December's legislation that prevented those tax increases from taking effect in January also included a provision designed to provide an additional economic

stimulus to help the recovery in 2011.

### *What it means to you*

While tax laws and the state of the economy are likely to change over time, the preservation of the status quo may mean that this is an ideal time to review your personal and philanthropic plans.

### *How to plan for your future*

Regardless of where you are in your life, careful planning can help you discover ways your resources might do more than you ever imagined.

In this issue of *Heritage* we will share a number of ideas that may help you make the most of various gift planning opportunities.

### 2010 Tax Legislation Highlights

- Income tax hike avoided. Current rates extended for 2011 and 2012.
- Payroll taxes cut temporarily.
- Unemployment benefits extended.
- Gift and estate tax reunified.
- Charitable IRA provision for those 70½ and older extended.



# Giving Wisely in 2011

**Y**ou can help ensure that your gifts result in maximum benefits for you, your loved ones and your charitable interests by carefully considering the best ways to give.

## *The check is in the mail*

Contributions by cash or check are the most common ways to fund charitable gifts. Cash gifts are convenient to make and are welcome in any amount. Through gifts of cash, it can be possible to eliminate federal income tax on up to 50 percent of your adjusted gross income. This allows you to make charitable gifts using resources that would otherwise be partially consumed by taxes.

## *Give out of the market*

If you have securities owned longer than a year that are worth more than they cost, using them to make gifts can be wise. Your deduction will actually be based on the full value of the securities, while no capital gains will be due.

If you wish, you can then repurchase the securities at the current market price. You then enjoy a new, higher cost basis with less tax due on a sale. A future sale at a lower value could then result in a deductible loss instead of less gain.

## *Benefit from losses*

If you have securities or other investments that are worth less

than their cost, consider selling them and giving the cash proceeds. You may then be able to deduct the amount of the loss as well as your gift amount, possibly resulting in deductions that total more than the current value of the investment.

## *Maximize benefits now*

If you think your charitable deductions may be limited in the future, your gifts may never save you more in taxes. To ensure that your gifts are deductible on this year's federal income tax return, you may find that concentrating your gifts this year can result in greater overall tax savings.

## The Charitable IRA Highlights

- Applies to qualifying transfers up to \$100,000 from traditional or Roth IRAs for 2011.
- Couples with separate IRAs could double up and make transfers up to \$200,000 per year.

Contact us or your IRA plan administrator for more information.

# The Charitable IRA Returns

**A** special provision that allowed those 70½ and older to direct gifts from traditional and Roth IRAs to charity has been reenacted through December 31, 2011.

Many people who did not anticipate using these funds for personal needs have found this to be a very tax-wise way to support their charitable interests, such as Millsaps College.

## *Could you benefit?*

Qualified transfers up to \$100,000 may be made in this fashion. Funds transferred can count towards any minimum required distributions and are not subject to income tax. While no separate charitable deduction may be claimed, not having the charitable distribution subject to income tax is the equivalent of a 100 percent tax deduction.

Every donor over 70½ with an IRA who enjoys making charitable gifts should consider this special opportunity. According to a national survey, qualifying IRA transfers have ranged from \$25 to \$100,000.

# Giving and Receiving

**Y**ou may also wish to consider arranging for future charitable gifts to Millsaps that will result in immediate benefits. By doing so, you may be able to enjoy capital gains and income tax savings, increased income, and other financial advantages today while still providing for a significant charitable gift to Millsaps as part of your long-range planning.

Known as **split-interest gifts**, these plans offer one or more of the following benefits:

- Generous fixed or variable income payments for life or another time period you determine.
- Income tax savings based on the full value of assets given.
- Diversification of investments while reducing or eliminating capital gains tax.
- Professional asset management.
- Possible reduction of probate expenses.

We will be pleased to provide more information to you and your advisors about these and other charitable giving opportunities.



*Millsaps Tower, February 2010*

## Estate Tax Returns, Too

**Y**ou may have read about the repeal of the estate tax for 2010 and uncertainty about the possible retroactive reenactment of it for that year.

### *More to give*

As it turns out, the new law reinstates the estate tax effective January 1, 2010 but allows those settling estates of persons who passed away in 2010 to elect to use the rules that are part of the new law (currently effective through 2012). A generous gift

and estate tax exemption means the majority of people will have more assets available to provide for family, friends and charitable interests.

### *Charitable gifts still deductible*

Those who have accumulated amounts in excess of the new exemption equivalent will be pleased to learn that charitable gifts remain 100 percent deductible for gift and estate tax

purposes. Not taxing such charitable distributions leaves more of the estate for non-taxable heirs than if those transfers were also subject to an estate tax of 35 percent.

### *A good time to review*

If your will, living trust, or other plans have not been recently reviewed or do not reflect your current wishes, now may be the ideal time to make sure they are up to date.

# Planning Tips

**W**hen planning for the future distribution of their assets, many people are surprised to learn of a number of ways to provide for charitable gifts to Millsaps College after first remembering family, friends and other loved ones.

You may wish to consider one or more of these special ways to make what may be the gift of a lifetime.

## *Wills and trusts*

After naming those you wish to receive a specific sum or certain property under the terms of your will or living trust, you can name charitable interests such as Millsaps to receive all or a portion of what remains.

## *Life insurance and retirement plans*

In addition to the immediate possibilities mentioned for IRAs,

you may wish to include Millsaps to receive gifts from life insurance proceeds or amounts remaining in a retirement account not needed by your family or others.

## *Bank and investment accounts*

In many states, it is possible to title investment and bank accounts in such a way that whatever remains becomes a charitable gift

that can also pass free of estate tax and outside of probate.

## *Consult your advisors*

Check with us or your advisors for more information about any of the ideas presented here. We will be happy to help, with no obligation. Contact Dudley Marble at (601) 974-1026 for more information.



*The Bowl, February 2010*

**MILLSAPS**  
**COLLEGE**

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