A GUIDE TO

Estate & Financial PLANNING

as provided by the
GRAND STRAND AREA
ESTATE PLANNING
COUNCIL

Compliments of

WACCAMAW
Community Foundation

LEGACIES FOR
CHANGING
LIVES

Post Office Box 370
Myrtle Beach, SC 29578
(843)236-9245

www.waccamawcf.org

A GUIDE TO

Estate & Financial PLANNING

as provided by the
GRAND STRAND AREA
ESTATE PLANNING
COUNCIL

Compliments of

WACCAMAW
Community Foundation

LEGACIES
FOR
CHANGING
LIVES

GRAND STRAND AREA ESTATE PLANNING COUNCIL

The Grand Strand Area Estate Planning Council is a non-profit organization comprised of Grand Strand Area professionals recognized for their specialized knowledge. Membership is limited to those qualified in the following professional disciplines: attorneys-at-law (JD), certified public accountants (CPA), chartered life underwriters (CLU), chartered financial consultants (ChFC), certified financial planners (CFP), and trust officers.

As a team, the members of this organization have joined forces so Grand Strand area residents can benefit from the latest tax strategies and planning techniques available for meeting estate planning objectives.

This Handbook is to be used for information purposes only and is not intended as legal, tax, financial or investment advice. Before making any change in a tax, financial, investment or estate plan, the reader should always consult an attorney, tax advisor, insurance advisor, investment advisor and/or trust advisor.

The information in this booklet serves only as general background information, and should not be used as a legal opinion of how any points of law may be specifically applied. Always consult professional counsel before making any changes in financial or estate plans.

WACCAMAW COMMUNITY FOUNDATION

The Waccamaw Community Foundation is a public foundation created to mobilize a variety of resources for the benefit of Waccamaw area communities. By matching donor interests with charitable opportunities in the local area, community foundations connect donors with what they care about most. Community Foundations work by investing endowed contributions to produce income. The income earned is then used to meet the community's diverse charitable needs. As a result, large and small donors enjoy the opportunity to make a lasting impact on their community while maximizing income, gift and estate tax benefits.

Membership of the GRAND STRAND AREA ESTATE PLANNING COUNCIL as of 06/02

www.gsaepc.com

Board of Directors

Charles G. Power, CLU, ChFC, President – 843-449-2330
James L. Braxmeier, Trust Officer, Secretary/Treasurer – 843-445-5707
Peter J. Fitzpatrick, LLM, CPA – 843-448-8334
Otis Allen Jeffcoat, III, Attorney – 843-626-9000

Members 2002

Deborah Cox Bell, CFP – 843-445-9440
Bart Buie, CPA – 843-449-4765
Ray Cooper, CPA – 843-497-4877
Bret H. Davis, Attorney – 843-839-9800
Martin C. Dawsey, Attorney – 843-448-2400
Kathryn Cook DeAngelo, Attorney – 843-238-8422
Laura M. Durant, CPA – 843-449-8881
Deidre W. Edmonds, Attorney – 843-247-5297
Rick Hawk, CPA, CFP, CLU, ChFC – 843-448-1500
Doug Holman, Trust Officer – 843-626-5656
Eric Long, CFP – 843-626-3659
Charles W. “Chuck” Martino, Jr., CLU, ChFC – 843-449-7815
James F. McCrackin, Attorney – 843-448-3500
E. Windell McCrackin, Attorney – 843-448-8405
Lee Moore, Attorney – 843-650-2889
M. Robin Morris, Attorney – 843-347-7998
R. Michael Munden, Attorney, CPA, CLU, ChFC – 843-692-7755
H. Tom Rice, Jr. Attorney – 843-449-4493
Thomas C. Stanley, Attorney – 843-692-8000
Clifford H. Tall, Attorney – 843-497-9777
Anthony F. Trask, Attorney, CPA – 843-497-8286

TABLE OF CONTENTS

Foreword — page 1

Estate & Gift Taxation — page 3
- **Overview**
- Application of the Federal Gift Tax
- Application of the Estate Tax
- Changes in Estate Planning Techniques

The Estate Planning Process — page 6
- What is Estate Planning?
- Probate Property and Probate Administration
- Do I need a Will?

Wills, Trusts & Powers of Attorney — page 9
- Last Will and Testament
- Trusts
- Personal Representatives and Trustees
- Power of Attorney
- Living Will

Life Insurance — page 13
- Types of Insurance
- Taxation of Death Benefits
- Taxation of Premiums
- Conclusion

Individual Retirement Accounts — page 16
- Types of Individual Retirement Accounts
- Estate Planning with Individual Retirement Accounts

Investment Management — page 19
- Capital Markets
- Investment Objectives
- Risk Tolerance
- Investment Selection
- Mutual Funds
- Annuities
- Money Management and Investment Services

Community Foundations — page 26

FOREWORD

The Grand Strand is one of the fastest growing areas in the country. Whether you are a new resident, a long-time native, or a recent retiree, you will find this handbook helpful in planning your estate.

Community foundations can play a major role in estate planning. The benefits of using a community foundation are explained in this handbook. Recent changes in federal estate tax law are discussed as well as how the new tax law may apply to certain estates.

Wills, trusts and powers of attorney are discussed as useful tools in the estate planning process. Different types of life insurance and their various uses are reviewed. The benefits of individual retirement accounts, a popular form of retirement planning, are also discussed. Capital markets, investment objectives, risk tolerance, mutual funds and annuities all are considered in the handbook's Investment Management section.

Every individual has different financial needs and objectives, as well as distinct estate planning objectives. This makes it very important to consult qualified professionals such as the attorneys (JD), certified public accountants (CPA), chartered life underwriter (CLU), chartered financial consultant (ChFC), certified financial planner (CFP), and trust officers that are members of the Grand Strand Area Estate Planning Council.

ESTATE AND GIFT TAXATION

Overview

Current federal law (2001) provides a system of taxing lifetime gifts and transfers at death under a unified taxing scheme that has the effect of taxing all transfers (whether during lifetime or at death) on an aggregate basis. The tax rates currently range from 18% to 55%.

As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), the top estate tax rate is scheduled to decrease to 50% in 2002, 49% in 2003, 48% in 2004, 47% in 2005, 46% in 2006 and 45% in 2007, 2008 and 2009. For decedents dying in 2010, there will be no estate tax. After 2010, the estate tax is currently slated to return to its current status ($675,000 Exempt Amount).

The gift tax rates will also change as a result of EGTRRA.

Rate changes for gifts made prior to January 1, 2010:

- Effective for gifts made after December 31, 2001, the 53% and 55% rates are removed and replaced with a 50% rate.
- Effective for gifts made after December 31, 2001, the 5% surtax is eliminated.

Rate changes for gifts made after December 31, 2009:

- The new gift tax rate table will have a maximum bracket of 35% (taxable gifts over $500,000) and a minimum bracket of 18%.
- The 18% to 34% brackets remain the same as prior to the 2001 Act.

For gifts made after December 31, 2001, and prior to January 1, 2010, the Applicable Exclusion Amount is increased to $1 million, and is not indexed for inflation.

South Carolina currently assesses an estate tax that is equal to the amount allowed as a credit against the federal estate tax (determined under a table provided by the IRS). South Carolina no longer imposes a gift tax on lifetime transfers.

Application of the Federal Gift Tax

The federal gift tax applies to any completed gifts to each individual during any calendar year which are valued at more than $10,000 in the aggregate (the "Annual Exclusion"). Payments to any person who provides medical care for another and tuition payments made to an educational organization are exempt from the gift tax.

Spouses may take advantage of their combined Annual Exclusions in order to give each donee a total of $20,000 each calendar year. Spouses can also take advantage of a technique known as "split gifts" in which one spouse makes the $20,000 gift, and uses the other spouse's Annual Exclusion, but an annual gift tax return (Form 709) must be filed by each spouse indicating consent to the split gift.

Application of the Estate Tax

The federal estate tax applies to any and all property owned by an individual as of the date of his/her death (the "Gross Estate"). The Gross Estate includes, but is not limited to, real estate, bank accounts, stocks and bonds, life insurance, assets held in the revocable living trust, IRAs and retirement plan accounts, cars, boats, furniture, jewelry, artwork and other personal property. Jointly held property is included in the Gross Estate. If the decedent and his/her spouse jointly hold the property, one-half of the property is included in the Gross Estate. If the decedent and a non-spouse jointly hold the property, the portion of total contributions made by the decedent determines the amount included in the Gross Estate. The estate tax is owed by the decedent's estate, not the beneficiaries. However, if the estate does not pay the tax, the assets distributed to the beneficiaries are subject to an estate tax lien, which may result in the beneficiary losing the asset.

All Estates Are Not Taxable

For decedents dying in 2001, the federal estate tax applies to estates exceeding $675,000 (the "Exempt Amount"). For decedents dying in 2002 and 2003, the Exempt Amount is $1 million. For 2004 and 2005, the Exempt Amount is $1.5 million. For 2006, 2007 and 2008, the Exempt Amount is $2 million. For 2009, the Exempt Amount is $3.5 million. Amounts left outright to a surviving spouse or in certain trusts for a surviving spouse are also exempt as a result of the unlimited marital deduction. There is also an unlimited charitable contribution deduction which exempts devises to qualifying charitable organizations.

Example: If Mr. Smith dies in 2001 leaving $675,000 to his children, $5 million to his surviving spouse, and $2 million to United Way, there will be no estate tax on his estate. However, Mrs. Smith may now have a significant estate tax problem if she dies prior to 2010, because she has, in addition to her own assets, the $5 million from Mr. Smith.

Income Tax Basis; Inheritance vs. Gift

Under current law (until 2010), the recipient of most inherited property (except for IRAs, etc.) will, in general, have a basis for income tax purposes equal to the fair market value of the property as of the decedent's date of death whether or not the decedent's estate is taxable. This is referred to as the basis step-up. That same property, if received by lifetime gift, would have what is referred to as a carryover basis which is the same basis as in the hands of the person making the gift. Because of this difference, especially if the Gross Estate does not exceed the applicable Exempt Amount, inheriting property is preferable to receiving it by gift.

In 2010, when the estate tax is repealed, the basis step-up rules change dramatically. Basically, the basis step-up is limited to $1.3 million (the general basis increase) plus another $3 million for property left to a surviving spouse (the spousal property basis increase). The decision as to how to allocate the basis increase is left to the personal representative of the decedent's estate. No property may receive a basis increase in excess of its market value.

Changes in Estate Planning Techniques

The changes to the estate and gift tax laws by EGTRRA will make it necessary to review all estate planning documents such as Wills and Trusts. For example, a fairly common estate planning technique involves dividing the decedent's estate into two portions. One portion is equal to the Exempt Amount, which passes outright to beneficiaries other than the surviving spouse or in trust for the spouse and/or those beneficiaries. The other portion generally passes to the surviving spouse, outright or in trust under the marital deduction. The language that makes this division normally refers to the Exempt Amount portion as the "maximum amount, which may pass free of the federal estate tax." In 2010, this will be 100% of the decedent's estate, so the marital portion would not be allocated any property. This could also be a problem prior to 2010 if the decedent intended that only $675,000 pass under the Exempt Amount, but because of the EGTRRA changes, the amount is much greater, thereby diminishing the marital portion.

ESTATE PLANNING PROCESS

What is Estate Planning?

Estate planning refers to the process of planning for the distribution of a person's assets, after payment of debts and claims, among his/her intended beneficiaries. If handled properly, the planning process includes a wide variety of decisions including, but not limited to:

- determining how debts and claims will be paid (i.e., charging them against certain properties but not others);
- making gifts (called "devises") of specific properties to designated persons (called "devisees"). Another term used to describe those who inherit property is "heirs." The term applies to persons inheriting property from a decedent who dies without a Will (called "intestacy") or when a Will does not dispose of all of a decedent's property. Those who receive distributions from a trust are called "beneficiaries;"
- naming the devisees of the balance of the estate (called the "residue");
- creating trusts (called "testamentary trusts") to manage property for minors or incapacitated persons;
- naming the person or persons to handle the administration of the estate (called a "personal representative"), and alternates or successors;
- naming the trustee or trustees of any trusts created in the Will;
- describing the powers of the personal representative;
- appointing guardians for minors or incapacitated persons; and
- designating the personal representative to handle the administration of property owned in another jurisdiction.

What is Probate Property and Probate Administration?

In the context of handling the property of someone who has died (called the "decedent"), all property is either probate property or non-probate property. Probate property is all property that passes under the terms of a Will ("testacy") or, if there is no Will ("intestacy"), under the laws of descent and distribution. The probate estate is all probate property reduced by funeral and administration expenses and enforceable claims. The process of probate administration involves gathering the decedent's probate property, paying enforceable debts, disposing of any claims against the estate, reporting and paying applicable estate taxes, as well as any income taxes owed by the estate on income earned during the period of administration, and distributing the remaining property to heirs and devisees. Probate administration also limits the period of time during which creditors may file claims against the estate (see below).

Why Do I Need a Will?

A Will can, among other things, accomplish the following:

- Designate the person or persons who will inherit the decedent's property (see Intestacy below);
- Name the person or persons who will serve as personal representative(s);
- Establish trusts to administer property for minors and incapacitated persons; and
- Plan for minimizing estate taxes.

Intestacy:

South Carolina's laws of descent and distribution provide in part that intestate property passes as follows:

- If there is a surviving spouse and a child or children, the spouse receives half and the child receives half or the children share half;
- If there is a surviving spouse and no children, the estate passes to the spouse;
- If there is no surviving spouse, but a surviving child or children, the estate passes to the child or is divided equally among the children.

Claims by a Surviving Spouse:

There are two circumstances under which a surviving spouse may receive more than the decedent provided in his/her Will:

Omitted Spouse's Share:

When an individual marries after the execution of a Will and dies without changing the Will, the surviving spouse may file a claim as an omitted spouse. If granted, the omitted spouse will be awarded the portion of the estate he/she would have taken if there had been no Will (the spouse's intestate share); and

Elective Share:

Even if the surviving spouse receives a devise under the decedent's Will, he/she may elect to file an Elective Share claim. An elective share claim, if granted, equals one-third of the decedent's probate estate (defined above).

If an individual dies without a Will or does not appoint a personal representative in his/her Will, who will serve as personal representative?

The Probate Code provides the following list of priorities (after a person named in the probated Will):

- Surviving spouse who is a devisee of the decedent (e.g., named as a devisee in the Will);
- Other devisees of the decedent;
- Surviving spouse of the decedent (e.g., not named as a devisee in the Will or if there is no Will);
- Other heirs of the decedent regardless of whether the decedent

died intestate (treating those named above as having predeceased the decedent).

- Forty-five (45) days after the death of the decedent, any creditor.
- Four (4) months after the death of the decedent, upon application of the South Carolina Department of Revenue, any person suitable to the Court.
- A person nominated by a person named in the Will or entitled to appointment as provided above, unless a contrary intent is expressed in the Will.

This list of priorities is clear evidence of the importance of executing a Will that names the person or persons the decedent wants to serve as his/her personal representative.

Non-probate Transfers

Certain types of property pass to others upon the death of the decedent by operation of law (i.e., not by Will or intestacy):

- Joint bank accounts generally pass to the other parties named on the account, unless a written document is filed with the financial institution indicating a contrary intent;
- IRAs and retirement plan benefits generally pass according to a written beneficiary designation form or, if one does not exist, according to the terms of the plan;
- Life insurance proceeds pass according to a written beneficiary designation form or, if one does not exist, the terms of the policy.

Limited Time for Creditor Claims

If a proper probate administration is conducted, creditors will not be able to file claims against the estate after the expiration of the later of (i) eight months from the first publication of notice to creditors following the appointment of the personal representative; or (ii) one year from the date of the decedent's death. Creditors whose obligations are secured by property owned by the decedent are protected to the extent of the value of the property, but if they don't file a claim within the above time period, they will not be entitled to collect any deficiency against other assets of the estate.

WILLS, TRUSTS AND POWERS OF ATTORNEY

Last Will and Testament

A last Will and Testament is a written document, signed by the decedent and witnessed by at least two disinterested persons. This document contains written directions for the handling of the decedent's estate after his/her death. A Will:

- Specifies how the decedent's real and personal property is to be distributed after his/her death;
- Determines how and from where the decedent's debts and taxes will be paid;
- Names the personal representative (Executor or Executrix), who is to locate and gather the assets, manage the estate, and distribute the property;
- Addresses issues that include guardianship of minor children, burial instructions, granting of powers, waives, bond posting, etc.

To be valid, the execution of a Will must strictly follow South Carolina Law. If it does not comply, the Will is invalid. To be valid, a Will must be the original, signed by the decedent and at least two disinterested witnesses. To be self-proving, a Will must be signed by at least two such witnesses, contain certain specified language, and have the decedent and the witnesses all sign in front of a Notary Public. A Will that was executed in another state, but otherwise complies with the requirements of South Carolina Law, will generally be valid in South Carolina. However, there can be complications, such as the availability of witnesses from another state. Handwritten additions after the execution of a valid Will (called "interlineations") are not effective, and may cause significant problems. It is advisable to have a Will reviewed periodically.

If a person dies without a validly executed Will, the laws of South Carolina dictate how property owned by the decedent will be divided. The basic rule is that one-half goes to a surviving spouse, and the other half goes to surviving children. If there is no valid Will, someone must petition the Probate Court to be appointed as the personal representative. A condition of being appointed is that the estate must post a bond equal in amount to the estimated value of the personal property in the probate estate, plus the estimated income from that property for the coming year.

A Will normally grants the personal representative a broad range of powers, but if there is no Will, the personal representative appointed by the Court must often petition the Court for permission to perform activities he/she would normally be permitted by the terms of a Will.

The most important advantage of a Will is that it allows a person to identify his/her beneficiaries. It also dictates what, how, and when beneficiaries receive assets. Some people mistakenly believe they do not need a Will because their property is owned jointly with right of survivorship. However, a Will also determines how debts and estate taxes are to be paid. If there is no Will, one or more beneficiaries may be charged with debts or taxes payable by the estate while other beneficiaries receive their property free of such charges; this may create an unintended unequal distribution of assets.

A Will also permits a decedent to appoint the specific person he/she wants to serve as personal representative and, if appropriate, guardian of the decedent's minor children. The personal representative has the duty and responsibility to locate the assets of the decedent, manage the estate, finalize the affairs of the decedent and distribute the property according to the terms of the Will. The personal representative should have the capacity, time, and knowledge to do this work. Both individuals and corporate fiduciary institutions can serve as a personal representative in South Carolina, but generally, non-resident corporate entities cannot serve in this state.

A divorce after the execution of a Will has the effect of revoking the part of the Will that pertains to the ex-spouse. On the other hand, a Will executed prior to marriage may not provide for a new spouse. In general, a surviving spouse has the right to take an elective share of the decedent's estate equal to one-third of the net probate estate. This one-third is reduced by amounts passing to the surviving spouse under a Will. The net probate estate is the decedent's property passing under the decedent's will plus the decedent's property passing by intestacy, reduced by funeral and administration expenses and enforceable claims. Regardless of what the Will provides, assets owned with the right of survivorship generally go to the survivor.

A Will does not cover the disposition of all of the interests in property the decedent may own. For instance, unless payable to the estate, a Will does not generally provide for the disposition of life insurance proceeds, IRA and deferred compensation benefits, annuities, and interests in trust. An interest in these items passes according to the documents filed with the respective entities holding those assets.

Trusts

A Trust is an arrangement where a person or entity (trustee), holds and manages property for the benefit of others (beneficiaries). The person who transfers property to the Trust is called a settlor, grantor, or a trustor.

A Trust can be created by the terms of a Will or by a written agreement between the settlor and the trustee. The former type of Trust is called a testamentary Trust, and the latter type is referred to as an inter-vivos Trust. Inter-vivos trusts can be revocable or irrevocable. A so-called Living Trust is a revocable Trust created for the benefit of the settlor during his/her lifetime. All these Trusts are commonly used in estate planning, and the choice of which one to use is based on the needs of the individuals involved.

Irrevocable Trusts are used primarily for gifts and asset transfer purposes. They can be an effective way to remove future appreciation in assets from a taxable estate if the donor is willing to give up all rights to those assets. Transfers to irrevocable Trusts are usually taxable gifts and should only be made with professional advice.

Revocable Living Trusts are used to attempt to avoid the probate process and perhaps to have someone else manage the assets of the Trust. A revocable living Trust may be advantageous for a person who has assets in different states and does not want to go through the probate process in each state. If he/she transfers those assets during his/her lifetime to the Trust, upon his/her death no ancillary estate will have to be opened in the states where property is located. A Trust is usually more difficult for a disinherited relative to attack than a Will. Living Trusts can also provide greater confidentiality.

Testamentary Trusts are often used in estate planning to place assets in a Trust for a surviving spouse for the remainder of his/her lifetime, and then to some other beneficiary. If properly structured, the assets in a testamentary trust will not be included in the surviving spouse's taxable estate. Testamentary Trusts are also used to shelter assets from creditors of a beneficiary and to provide money management for the assets in the Trust.

Like all estate planning techniques, Trusts are not for everyone. Trusts do not solve all problems, and they certainly are not a magic solution. Furthermore, as a general rule, a person cannot save on estate taxes by using a Trust unless he/she is willing to create an irrevocable Trust during his/her lifetime and give away irrevocably all of his/her interest in property in the Trust. However, if the value of the property in the Trust goes down, the grantor has unnecessarily used up some of his/her unified credit.

Personal Representatives and Trustees

An important part of estate planning involves the choice of a personal representative and the naming of trustees. The personal representative (formerly called "executor") administers the estate of the decedent. Individuals and banks and trust companies with fiduciary powers having offices in South Carolina can serve as the personal representative. The personal representative works with the attorney and accountant for the estate to make sure all work is done and tax returns are filed. Often the personal representative will face diverse and complex demands that can be quite challenging.

Sometimes a family member can serve satisfactorily in these capacities. Other times, particularly if the estate is large or includes complicated investments, or when a Trust will continue for an extended period of time, an institution such as a Trust Company or Bank Trust department may be a better option.

Durable Power of Attorney

A Durable Power of Attorney specifies how an individual's affairs will be handled in the event of stroke, Alzheimer's or any other incapacitating illness. Unless an appropriate agent has been named, it will be necessary for someone to apply to the Probate Court for appointment as legal guardian, conservator, or both. Not only is the appointment process time consuming and expensive, the power of someone acting in those capacities is limited.

A durable power of attorney is a statutory form of agency specifically drafted to become effective upon a person's incapacity. If it is to be effective and enduring, the document must be carefully drafted in a very specific manner.

Powers delegated in a power of attorney can be extremely broad. Consequently, it is essential that the appointed agent be trustworthy. An alternate agent should be appointed to act if the primary agent becomes unable to do so. The appointed agent should be an individual with the time, knowledge, and experience for the work at hand.

In South Carolina there are two types of power of attorney:

General Power of Attorney

A general power of attorney is a document that delegates powers to an agent to manage general business, investment, and personal affairs. The document sometimes delegates authority to make personal and custodial care decisions, as well.

Health Care Power of Attorney

A Health Care power of attorney is a South Carolina statutory form that delegates the authority to make health care decisions in the event an individual becomes incapable of making those decisions. This document is designed to provide guidance regarding how those health care decisions are made. Since this document is a statutory form, it should be readily accepted by health care facilities.

Living Will

A Death with Dignity Declaration is a South Carolina statutory form that allows an individual to decide what health care will be provided on his/her behalf in the event of a terminal illness. The Living Will deals only with the final illness, i.e., an irreversible terminal condition. This document authorizes doctors to cease providing extraordinary life support treatment after active treatment has been tried and after it is determined there is no hope for the reversal of a terminal condition.

Both the Health Care Durable Power of Attorney and the Living Will allow a person to specify whether he/she wants food and water in the event of a terminal condition or a permanent coma. The Living Will also provides the opportunity to delegate the right to either revoke the Living Will or to specifically enforce it. The Living Will must be properly signed. Unless special witnesses are present, it cannot be signed, while incarcerated in a health care facility. Since this document is a statutory form, it should be readily accepted by health care facilities.

LIFE INSURANCE

Life insurance is a contract under which, for a stipulated amount referred to as "a premium," the insurer agrees to pay the insured's beneficiary a defined amount upon the occurrence of the insured's death. Following are some uses of Life Insurance:

1) Life insurance is an important estate planning tool and provides a way to pay estate taxes at a discount. When used to pay estate taxes, the difference between the cost of the life insurance and the death benefit received is often thought of as a discount. Properly arranged life insurance owned by a third party who is also named as beneficiary can be used to pay estate settlement cost with no probate cost, no inheritance or other state death taxes, no income taxes, no transfer fees, and no federal estate taxes.

2) Life insurance will provide income for family expenses.

3) Life insurance can be used for special financial needs such as college expenses, mortgage balances, and other large capital needs.

4) In business, life insurance can be used to provide tax-advantaged deferred compensation for executives and employees. It can also serve as part of an employee's tax-qualified retirement plan.

5) Life insurance is commonly used to fund buy-sell agreements among business partners.

6) Life insurance provides the funds to make meaningful and substantial charitable contributions.

Types of Insurance

Life insurance can be purchased as group or individual policies. The most common types of life insurance are term life, whole life, universal life, variable universal life and survivorship life.

1) Term Insurance. The insured must die before the term expires for benefits to be paid. Different types of term insurance include: (a) Annual renewable term (the cost increases each year while the benefit remains level); (b) Level term (the cost and the death benefit remain level for a specified term — usually 5, 10, 15 or 20 years); and (c) Decreasing term (the cost remains level but the death benefit decreases each year for a specified number of years). Many term policies are convertible to other plans offered by the same insurance company with no evidence of insurability.

2) Whole Life Insurance. This type of life insurance contract is sometimes referred to as permanent life insurance. It is designed to provide death benefit for the lifetime of the insured. The premiums of a whole life contract remain level throughout the life of the contract. Cash value builds up within the contract, increases annually and can be borrowed by the policy owner or taken as surrender proceeds. When cash value has accumulated, full or partial premiums can be paid by withdrawing and/or borrowing from the policy's cash value.

3) Universal Life Insurance. This is an interest-sensitive life insurance contract wherein the investment, expense, and mortality elements are separately and specifically defined. There are no predetermined "standard" Universal Life plans; each contract owner selects the desired level of premium and death benefit, as well as the length of the premium paying period. Significant flexibility in premium payments is possible. Usually a stated minimum premium must be paid the first policy year. The contract owner can then vary the

date, or frequency of subsequent payments. The cash value of Universal Life is driven by the interest rates declared by the insurance company. There are policy loan and partial withdrawal privileges.

4) Variable Universal Life. With flexible premiums, adjustable death benefits, policy loan and partial withdrawal privileges, this contract is similar to universal life insurance. However, unlike universal life, the owner of the life contract — not the insurer — decides where premiums are invested. Policy statements show the investments in the separate account and their individual performance. Variable universal life is a product subject to the rules of the Securities and Exchange Commission and therefore requires a prospectus to be given to a prospective client before the policy can be issued. Variable universal life is a very efficient life insurance and investment product for the consumer. Generally speaking, costs are competitive and investments are tax-sheltered, diversified and productive.

5) Survivorship Life. This type of life insurance insures two or more people, usually two. The policy can be in the form of a term, whole life, universal life or variable universal life contract. A death benefit is not paid until the last of the two or more individuals dies (the survivor). At that time the full death benefit is payable to the named beneficiary.

Taxation of Death Benefits

Generally, proceeds payable by reason of the insured's death is exempt from income tax. If the insurance company holds the death proceeds and the beneficiary receives only the interest, then the interest received is taxable as ordinary income to the beneficiary. If, prior to death, a life insurance policy or an interest in a policy has been sold or otherwise transferred for valuable consideration, then the "transfer for value" rule applies. The "transfer for value" rule does not apply if the sale or transfer is to (a) the insured, (b) a partner of the insured, (c) a corporation of which the insured is a stockholder or officer, or (d) if the transferee's basis is determined in whole or in part by the transferor's basis.

Taxation of Premiums

Premiums for personally owned life insurance are not deductible for income tax purposes. They are considered nondeductible personal expenses unless (a) premiums constitute alimony payments, or (b) premiums are paid on a policy irrevocably assigned to a charity and the insured does not reserve the right to surrender the policy for cash.

In Summary

Life insurance is a valuable estate-planning tool. Because tax laws will continue to change, it is imperative for an individual's life insurance program to have the flexibility needed to meet the challenges of changing tax laws. Estate planning professionals can advise individuals regarding which life insurance plan will fit best his/her estate plan.

INDIVIDUAL RETIREMENT ACCOUNTS

An Individual Retirement Account ("IRA") is an investment vehicle designed to serve as a savings plan for the investor who wishes to set money aside in higher earning years so it is available to replace lost income in retirement years. The most significant benefit of the traditional IRA is that contributions to the IRA may be tax deductible. In addition, earnings and gains are generally not taxed until distributed. Because the investor can earn income on assets that would otherwise have been depleted to pay income tax, an IRA has the potential to provide greater earnings than non tax-deferred investments.

Due to the many complicated rules that must be followed in order to take advantage of the income tax benefits of an IRA, interested investors should consult a tax advisor before opening a new IRA account or withdrawing from an existing IRA account.

Types of Individual Retirement Accounts

There are several types of IRAs: the traditional IRA, the Roth IRA, the SEP IRA, the SIMPLE IRA, the Rollover IRA and the Education IRA. Following is a brief description of each plan.

Traditional IRA

An individual younger than seventy who receives taxable compensation during the year can create a traditional IRA. The account can be set up through a bank, mutual fund, stockbroker or other financial institution, and that institution will serve as custodian for the account. The account will pass to a designated beneficiary upon the death of the participant (the individual that created the account).

Once the account is created, contributions may be made in every year (prior to age seventy) in which the participant receives taxable compensation. The amount of the contribution is generally limited to the smaller of annual taxable compensation or $2,000. The current income tax deduction for a contribution is further limited if the individual is also covered by another qualified plan such as an employer-provided plan. Contributions may be invested and reinvested within the account upon the direction of the participant.

Since the participant receives an income tax deduction for contributions to the traditional IRA, distributions from the account will be fully taxable. The traditional IRA is particularly useful for individuals who expect to be in a lower income tax bracket in retirement.

At age 59, an individual can generally begin withdrawals from the account without penalty. A penalty of 10% of the withdrawal amount is imposed on withdrawals prior to age 59. Withdrawals must begin by April 1 of the year following the year when the participant reaches age seventy (the participant's "required beginning date"). A common goal for an IRA investor is deferring the income tax liability associated with the withdrawals by taking as little from the account as possible. Specific rules, known as the minimum required distribution rules, govern the amount that must be withdrawn from the account each year. If the participant does not take his/her minimum required distribution each year, an excise tax of 50% is imposed on the amount not withdrawn.

Roth IRA

Although an income tax deduction is not available for contributions to a Roth IRA, the participant does receive the benefit of tax-free growth within the Roth IRA. There are no minimum required distributions from a Roth IRA and contributions may continue beyond the participant's seventieth birthday. Like the traditional IRA, annual contributions are limited to the smaller amount — taxable compensation or $2,000. Contributions are further limited at higher income levels and by contributions made to a traditional IRA.

Qualified distributions from a Roth IRA are not subject to income tax. A distribution is considered qualified if the contribution has been held in the account for five years and the participant has reached the age of 59. Roth IRAs are particularly useful for individuals who expect to be in the same or in a higher income tax bracket in retirement.

Simplified Employee Pension IRA (SEP-IRA)

A SEP-IRA is an investment plan set up by an employer for an eligible employee. Subject to certain limitations, the plan allows an employer to make deductible contributions directly into a traditional IRA created and controlled by the individual. Distributions from the SEP-IRA are subject to rules governing traditional IRAs.

Savings Incentive Match Plans for Employees (SIMPLE-IRA)

A SIMPLE IRA is another type of investment plan set up for an eligible employee. Subject to certain limitations, contributions to a SIMPLE IRA consist of salary-reduction contributions from the employee and matching contributions from the employer. Distributions from the SIMPLE-IRA are subject to rules governing traditional IRAs.

Rollover IRA

Individuals can make tax-free transfers from a traditional IRA or other retirement program to another traditional IRA. This often occurs when an employee retires or is separated from service from his/her employer. An IRA distribution that is reinvested in another retirement plan within sixty days generally qualifies for tax-free rollover treatment. An individual may qualify for a tax-free rollover once per year.

Education IRA

An Education IRA is created for the purpose of paying the higher education expenses of the account beneficiary. The account must be established as an Education IRA and the beneficiary must be a child under age 18. The entire balance of an Education IRA must be withdrawn by the time the beneficiary reaches age 30. Subject to certain limitations, an individual may contribute up to $500 per year to the Education IRA. No more than $500 may be contributed for any one beneficiary in a year, regardless of the source of the contribution.

Like the Roth IRA, contributions to an Education IRA are not deductible. However, the beneficiary may make tax-free withdrawals from the account if they are used for qualified higher education expenses.

Estate Planning with Individual Retirement Accounts

An IRA passes to a designated beneficiary upon the death of the participant. If there is no designated beneficiary for the account, the estate of the participant will be deemed to be the beneficiary. For estate tax purposes, the entire value of an IRA is included in the decedent's gross estate.

In the estate-planning arena, the IRA can be a significant factor when determining the lowest overall tax consequences of an estate plan. The rules that determine how an IRA must be withdrawn after death are complicated. However, the general rules allow the designated beneficiary to withdraw from an inherited IRA over the life expectancy of the beneficiary. The surviving spouse of a participant has the most flexibility as the designated beneficiary because the spouse may choose to withdraw the benefits over their life expectancy or roll the benefits into their own IRA, allowing them to defer any required distribution until they reach age seventy.

With certain restrictions a Trust may qualify as a designated beneficiary of the IRA. However, proper planning is required in order to avoid inflating or accelerating the income tax liability associated with account distributions.

INVESTMENT MANAGEMENT

Today's investors have at their disposable a seemingly unlimited and often confusing variety of investment vehicles and techniques. Inherent in each investment opportunity is a varying degree and type of risk. Even the most experienced investor can find it daunting to decide among myriad investment products and financial services.

Fortunately, many guidelines and parameters for successful investment management have been clearly articulated. Common to all successful management programs are specific steps that help define objectives, moderate risk and measure performance.

Capital Markets

To develop an appropriate investment strategy, an investor must have a realistic understanding of how the equity and debt markets function. Equally important is having a clear sense of how interest rate fluctuations, inflation and economic cycles affect these markets. Additionally, a rudimentary understanding of current world events and their potential effects on the markets is needed. Attainable objectives can be developed only against a backdrop of realistic expectations. In both markets, a quick study of the historical rates of return coupled with a fair appraisal of the potential future return is helpful in establishing reasonable investment goals.

Beyond a basic understanding of the capital markets, a working knowledge of specific investment instruments, asset classes, industry sectors, and risk ratings, and how these individual elements affect a portfolio, is crucial to the process of formulating a viable investment management plan.

Investment Objectives

All types of securities accounts — individual, joint, revocable Trust, or IRA rollovers — should have specific goals. To establish goals for a securities account, investors need to address a host of questions.

These questions include:
• What are your overall investment objectives? Are you seeking income, capital preservation, growth, tax reduction or some combination thereof?
• What is the appropriate time horizon for your investments? Are you a short term, intermediate or long term investor?
• With what types of investments are you most comfortable? Do you prefer to invest in individual issues or pooled investments such as mutual funds and unit investment trusts? Do you prefer high quality government bonds, tax-free municipal bonds, common stocks, preferred stocks or a combination?
• What are your income and liquidity requirements? If you require income, how much is needed and on what time schedule?
• Are you qualified and willing to invest the time required to manage and monitor the performance of your investment portfolio or would you rather engage professional advisors to assist you?

Identifying and quantifying investment objectives is an important part of successful investment management. In complex cases, professional advisors typically use written investment policy statements to define investment parameters. Whether or not an individual chooses to formalize the process through the use of investment policy statements, determining investment objectives is a key step in deciding the guidelines for risk management in preparation of the selection of investment vehicles.

Risk Tolerance

Virtually all investments involve some degree of risk. While investment risk can be moderated through techniques such as diversification and asset allocation, the elimination of risk is impossible. Each type of investment is subject to one or more of the following types of risk.

• CAPITAL EROSION – the risk of losing part or all of invested principal.
• INTEREST RATE RISK – the risk inherent in interest rate changes.
• TIMING RISK – the inherent risk of buying and/or selling.
• INFLATION RISK – the force that erodes purchasing power.
• ARKET RISK – the risk of changing economic factors, i.e. recession and economic slowdowns.

Some investments have little or no capital erosion risk (i.e., US Government Treasury Bills or insured bank certificates), yet may be subject to inflation risk or loss of purchasing power if the rate of total return fails to exceed the inflation rate. Also, while the investment risk of a particular security may be characteristically high, a diversified portfolio of such securities will typically lower the overall risk.

In general, seeking higher investment returns means assuming proportionately higher risks. Effective management of risk involves understanding the relationship between risk and reward and developing realistic and tolerable expectations for both the upside and the downside. The formation of sensible investment decisions can only be made with a thorough exploration of the willingness to tolerate risk.

Investment Selection

Determining the appropriate investments or combination of investments can be a complex process. Various investment vehicles react and respond differently to changes in the overall economic climate. Bond holdings for example, while generally considered more immune to risk, can generate decidedly unpleasant surprises in the form of declining capital value in the face of a rising interest rate cycle.

From another perspective, a blue chip utility stock may be fine from the standpoint of its handsome dividend, but inappropriate for a growth-oriented account seeking to minimize income to reduce taxes. Similarly, a biotech stock with fabulous growth potential may be perfectly appropriate for an aggressive growth account, but may fail to meet the needs of a retiree in need of tax-free income.

Beyond matching investments to objectives, risk tolerance and available capital, the selection of appropriate instruments is largely a matter of personal choice. The dizzying array of investment alternatives — from individual securities to unit trusts, mutual funds, pooled funds and professionally managed individual accounts — makes the process complex. A lack of standardization of costs, fee structures, performance measurements and risk ratings makes the assessment process even more challenging.

Mutual Funds

There are four key characteristics of mutual fund investing: (1) professional management, (2) diversification (3) liquidity and (4) convenience.

Mutual funds pool many investors' funds and offer professional management through an individual manager or a team of money managers. The professional mutual fund manager is required to manage the fund strictly in accordance with the basic investment objectives and polices disclosed in the fund's prospectus. The managers also

endeavor to add value over and above the returns generally provided in the financial markets and sectors in which they work, a daunting task. Still, the investor hopes that a particular management will outpace its peers. In recent sector-dominated markets the pressure to produce historically high returns has led to accusations of "style drift" in some fund managers' decisions to include investments from these "hot" sectors. Before investing in a mutual fund, individuals should compare the fund's investment objectives as stated in its prospectus with the actual investments held in its portfolio to verify that the fund's stated objective is being strictly maintained.

Looking at the second principle of mutual fund investing, capital market theory suggests diversification is essential to eliminating unproductive risk-taking in specific securities. Numerous financial studies show most individual investors are woefully under-diversified, with average holdings of about six stocks. Even then, heavy weightings of large holdings may reduce their effective diversification even further. Considering that the minimum purchase amount for a bond transaction is $10,000, diversification may be even more critical when investing in bonds. From a pricing standpoint, the practical size of a bond transaction may be substantially higher. On the other hand, an investment of $3,000 or less is sufficient to purchase shares in a mutual fund whose portfolio consists of stocks, bonds or a combination of both.

The third principle is liquidity; that is, the mutual fund's shares may be bought or sold at a moment's notice at the fund's next determined net asset value per share. While owning securities individually generally provides a reasonable level of liquidity, mutual funds can be easily converted into cash at a fraction of the cost that would be incurred in selling individual stocks or bonds.

The fourth basic principle is that mutual fund ownership provides simplicity and convenience. Purchase of shares may be handled by an investment advisor, a representative of a stock brokerage firm, or directly through the fund's sponsor. Following the initial purchase, mutual fund owners benefit from features including automatic reinvestment of dividends and capital gain distributions, tax reporting, check-writing on money market funds, and telephone exchanges among different funds within the same fund family. Additionally, shares can be redeemed and withdrawn by telephone, literally at a moment's notice.

Along with the advantages of mutual fund ownership, there are disadvantages as well. There are over 10,000 mutual funds from which to choose and selecting the most appropriate funds is a formidable challenge. First, individuals who rely on personal advisors or brokers to select investments may discover they own mutual funds that do not suit their needs. Second, mutual funds come with a broad range of sales charges and management fees. When these costs are excessive they can offset the benefits of mutual fund ownership. Third, with a mutual fund investors lose control over the realization of capital gains taken within the fund itself (unless the fund is held in a qualified tax-deferred retirement plan or a "tax managed fund"); the annual distribution of those gains exposes them to potential taxation.

In summary, investing in mutual funds can be very rewarding. But as with other forms of investment, choices should be carefully researched and professional advice is essential.

Annuities

Annuities are long-term, tax-sheltered investments. An annuity is an agreement between an investor and an annuity provider (customarily an insurance company). The investor agrees to place money in the annuity, and in return, the provider agrees to pay the investor an income, usually for life. Annuities are also popular with investors who wish to "park" large cash deposits, because the income grows tax-deferred until withdrawal.

Annuities are designed to be long-term investments. They are sometimes explained as the opposite of life insurance. Insurance offers financial protection against dying too soon. Annuities, on the other hand, attempt to protect their owners against living too long and having funds prematurely depleted.

Like all investments, annuities are designed to earn money. How much an annuity earns over the term of the agreement depends upon three factors:

- The amount invested;
- The rate of interest paid or rate of return earned; and
- The length of time before receiving payments.

There are two major types of annuities — fixed and variable.
In a fixed annuity, the principal amount grows at a fixed rate of interest, and the investor knows from year to year how much money is being earned. This form of annuity places the investment risk on the insurance company. If investment performance is insufficient to fund the promised rate of interest, the insurance company must make up the difference.

A variable annuity has no fixed rate of interest, and earnings depend on how the company's investment portfolio performs. The potential exists to achieve greater investment gains but the risks are also greater. A variable annuity may not grow, and it is possible to lose all or part of the principal invested.

Annuities offer a variety of payout choices.

Annuities offer a variety of payout plans — immediate or deferred, for a set number of years or for a lifetime.

As its name suggests, an immediate annuity starts making payments immediately, usually within one month. It is designed for investors who want to convert accumulated capital into immediate income payments. Owners of an immediate annuity may not withdraw any cash beyond the regular payments and must relinquish control of the principal once payments begin.

A deferred annuity (either fixed or variable) allows an investor to postpone receiving payments. This is the most common type of annuity and allows the investment to grow over time, increasing its value. Also, the longer the owner waits to start receiving payments, the larger the dollar amount grows.

A tax-deferred annuity can be an important part of a long-term savings and retirement strategy, but should be carefully tailored to fit individual situations.

Money Management and Investment Services

The world of investment and money management has become very complex. There are a myriad of investments and money management vehicles and a plethora of related services. Understanding the following terms and definitions will help investors find the right source to meet his/her financial needs and goals.

BROKER/DEALER is a regulatory term used to describe an individual or company that buys and sells investment products to or for its clients.

CERTIFIED FINANCIAL PLANNER is an individual who has fulfilled the certification and biennial licensing requirements of the CFP Board. By addressing a host of interrelated issues such as budgeting and saving, tax and investment planning, insurance, etc., financial planners help clients determine whether and how he/she can meet life goals. Certified Financial Planner designates may also be accountants, attorneys, bankers, insurance agents and brokers and securities representatives.

CHARTERED FINANCIAL CONSULTANT is a financial services professional — including accountants, attorneys, bankers, insurance agents, and brokers and securities representatives — who have completed the requirements of The American College's ChFC financial planning program.

ESTATE PLANNER is an individual who devises a plan for the orderly handling, disposition, and administration of a client's assets (which can include securities, insurance, real estate, assets, cash, and business interests) at death. An estate planner's duties can include making financial projections or illustrating financial options and strategies for a client. An estate planner often carries out his/her duties with the assistance of another professional, such as an attorney, to implement a Trust or Will, or an accountant, to implement the estate planing process. Estate planning professionals are usually individuals who practice accounting, financial planning, insurance, law, or trust banking.

FINANCIAL PLANNING is the process of determining how an individual can meet life goals through the proper management of his/her financial resources. Some life goals include a comfortable retirement, buying a home, saving for a child's education or starting a business.

INVESTMENT ADVISER (OR ADVISOR) - see Registered Investment Adviser.

INVESTMENT CONSULTANT is a term loosely used by some to describe a money manager or even a financial planner, but it more properly describes consultants who evaluate, select and monitor money managers. Consultants typically work for brokerage firms or independent advisory firms, and their clients most often are institutional investors, such as pension plans, but may include individuals with substantial sums to invest.

MONEY MANAGER is an individual (or company) that designs a portfolio for clients (or works with a design developed by a financial planner) comprised of individual securities, bonds, real estate or other financial assets and investments. The Money Manager administers the portfolio on a discretionary basis, usually for a fee equivalent to a small percentage of the value of the assets under management. Money managers may range from an independent advisory firm to a bank trust department, pension fund, mutual fund or insurance company.

PORTFOLIO MANAGER The term "portfolio manager" is often used to describe the money or investment manager of a mutual fund or private institutional fund. (See Money Manager.)

REGISTERED INVESTMENT ADVISER is any individual or firm that provides securities advice for compensation as part of a regular business and is registered with the Securities and Exchange Commission (SEC) or the appropriate state(s) as a Registered Investment Adviser. Registered Investment Advisers may be compensated on a fee-only, fee-based or commission basis.

With so many available money/investment management firms to choose from, a disciplined, systematic and methodical approach to the selection is of utmost importance. Investors need to assess an investment/management firm's strengths and weaknesses, ability to handle internal growth, the sophistication of their operations systems and of course, performance. Typically, a manager's investment results are measured against a comparable market index (such as the S & P 500). While absolute results are generally the starting point, protection of principal, consistency of results in varied economic conditions and stability of the management team are also important considerations.

The fees for money/investment management services vary. Usually charges are based upon an annual percentage of the assets under management plus commissions or transaction costs according to activity. Some managers and major brokerage firms offer a "wrap fee" approach wherein investment management services are bundled together under a single annual fee, which generally covers all transaction and trading costs as well as custody and servicing fees. This fee structure may or may not be advantageous, depending upon the type of investments and frequency of transactions. Investors need to thoroughly analyze the services provided under such "wrap fee" structures versus the individual costs of obtaining these services on an "unbundled" basis.

For investors with large portfolios to manage, individual investment portfolios managed by professional money managers can offer significant advantages. The decision to delegate investment decisions is, however, a critically important one and should be undertaken only after careful review of the alternatives. Because the investment process is complex and technical, many investors seek the advice of professional investment management consultants when faced with the management of significant investment assets.

COMMUNITY FOUNDATIONS

Thanks to community foundations, everyone can be a philanthropist. Rich, poor, young, old … everyone has the ability to help form a powerful foundation that gives funds to the community. This was Frederick Goff's inspiration in 1914 when he created the concept of the community foundation — a vehicle through which even a person of limited means could give money to the community.

Mr. Goff started the community foundation for two basic reasons: **(1)** to help the community become a better place to live and **(2)** to help donors achieve their unique charitable dreams. Goff's founding principles still apply to today's community foundations.

Initially, community foundations were supported primarily by the Wills of the wealthy. Today, however, thousands of Americans donate both small and large amounts to community foundations. As a result, in recent years, community foundations have become the nation's fastest growing segment of philanthropy.

Unlike a private or corporate foundation, a community foundation relies on multiple donors, and is usually classified as a public charity. It serves all interests in the community — from youth, environment, education, health and human services, to arts and culture, religion, research and urban affairs.

There are six qualities that make community foundations unique:

1. A flexible, yet permanent collection of funds supported by a wide range of donors;

2. The organization's relative independence to determine the best use of those funds to meet community needs;

3. A governing board of volunteers knowledgeable about their community and recognized for personal involvement in civic affairs;

4. An organizational commitment to provide leadership on pervasive community problems;

5. A commitment to assist donors to create funds and distribute proceeds in accordance with the donors' intent; and

6. Adherence to a sense of "community" that overrides individual interests and objectives.

CONCLUSION

Because they meet the public support test, community foundations qualify as public charities for tax purposes, and donors are entitled to the higher public charity percentage limitations on their deductions.

When one mentions the benefits of a community foundation, a fundamental question rises to the fore — would you prefer to give to the IRS, or to charity? You have a choice. Community foundations can assist you in directing your hard-earned dollars where you want them to go. You benefit from living in a better community and you recognize tax benefits as well.

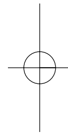
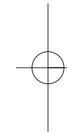
Community foundations also have significant advantages over private foundations. For example, with a community foundation you can deduct up to 50% of your adjusted gross income for gifts of cash; with a private foundation you can only deduct 30%. With gifts of appreciated property, 30% can be credited, compared with 20% for a private foundation.

Community Foundations also help donors create legacies — you can establish a fund in your name, your family's name, the name of a loved one, or in any name that has special meaning. These funds can exist even after the donor is no longer living, if they choose. Anytime a distribution is made from their fund, it is made from the name of the fund and not the community foundation.

Community foundations are capable of being very flexible and can do almost anything a donor can dream of. A donor can also establish a fund at a community foundation with a variety of assets including appreciated securities, deferred gifts, real estate, bequests, and of course, cash.

They also simplify personalized giving by allowing donors to make a single gift to the foundation, after which the donor can recommend gifts to charities at any time, now or in the future. If a donor sets up a fund through a community foundation, they can wait to make decisions about the gifts and still realize a tax benefit the year the gift is made.

Community foundations are also able to offer recognition or anonymity for the donor — a fund created in the donor's name becomes a permanent legacy that will be remembered for generations. Conversely, if the donor would like to remain anonymous, a community foundation will protect their identity.

As you watch your community, and the country, grow and change, you have the power to make a difference, now and in the future. During your lifetime and beyond, endowed funds through a community foundation are a permanent way to ensure support of the charities that are especially meaningful to you.