



Appreciated Assets: Your Key to Leveraging Your Tax Dollars for Greater Kingdom Impact

Presented by:



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What is a Steward?

One who uses God-given abilities to manage God-owned properties to accomplish God-directed results.

Principles:

- 1. God is the Owner of All**
- 2. Planning is a Spiritual Process**
- 3. Using God's Gifts for His Glory**

How can you be a more effective and tax-wise steward?

What we will cover...



- ✓ **How you can make capital gains taxes optional.**
- ✓ **How you can multiply the impact of your giving through appreciated assets.**
- ✓ **Trading tax dollars for Kingdom dollars to increase your charitable impact and build your legacy.**
- ✓ **Review and learn from case studies of others who have used these tax-wise strategies.**

Taxes, Taxes, Taxes !!!

- **Income Taxes**
 - **Federal: 0% to 39.6%**
 - **State: 0% to 13.3%**
- **Federal Capital Gain Tax:**
 - ***15% to 20%***
- **State Capital Gain Tax:**
 - ***0% to 13.3%***
 - **National average is 5%**
- **ACA (aka Obamacare) Tax: 3.8%**



“There is nothing so sinister in so arranging one’s affairs to keep taxes as low as possible. Everyone does so, rich and poor; and all do right, for nobody owes any public duty to pay more than the law demands: taxes are enforced exactions, not voluntary contributions.”

--Judge Learned Hand

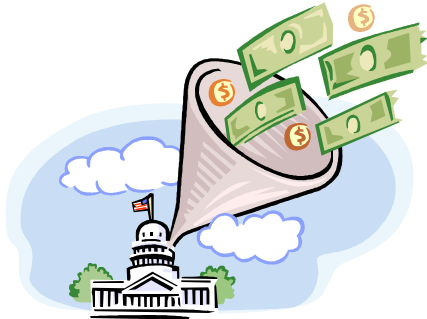
Capital Gains Taxes are “Optional”

- ✓ Pay them
- ✓ Postpone them
- ✓ By-Pass them...
 - ✓ Death
 - ✓ Charitable Gifting...transferring tax dollars to Kingdom dollars



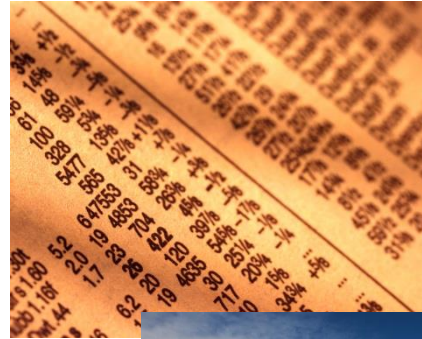
Benefits of Gifting Appreciated Assets

- **Multiple layers of tax savings**
- **Give substantially more from assets vs. cash flow**
- **Transfer tax dollars to Kingdom dollars**



Assets to Consider

- **Securities**
- **Real Estate**
- **Business Interest**
- **Artwork, Collectables**



Case Studies

Let's review and learn from case studies of others who have used these tax-wise strategies...

These case studies are for illustrative purposes...your tax rates and asset holdings will differ.

Case Study:

Outright Gift of Asset-“Quintuple Tax Savings”

The tax savings from a gift of an appreciated asset can be significant when compared to a cash contribution... and maybe preferable to cash gift.

Nick and Rachel own an appreciated asset worth \$10,000 with a tax basis of \$4,000. They are in a combined 40% federal and state income tax bracket.

If they were to make a cash gift of \$10,000, they would save approximately \$4,000 in taxes...

If they instead gifted the appreciated asset, they would generate an income tax deduction of \$10,000 and then some...their net tax results will be significantly higher. Let's see how...



Case Study:

Outright Gift of Asset-“Quintuple Tax Savings”

Appreciated Asset Gift	<u>\$ 10,000</u>	
Ordinary Federal Income Taxes Saved (35%)	\$ 3,500	
Ordinary State Income Taxes Saved (5%)	\$ 500	
Capital Gain Tax Saved (20%)	\$ 1,200	
Obama care Tax Saved (3.8%)	\$ 228	
State Capital Gain Saved (5%)	<u>\$ 300</u>	
Total Tax Savings	<u>\$ 5,728</u>	
Cash Gift Tax Savings:	<u>\$ 4,000</u>	
Difference	<u>\$ 1,728</u>	<i>... 43% increase!</i>

Case Study: Donor Advised Fund

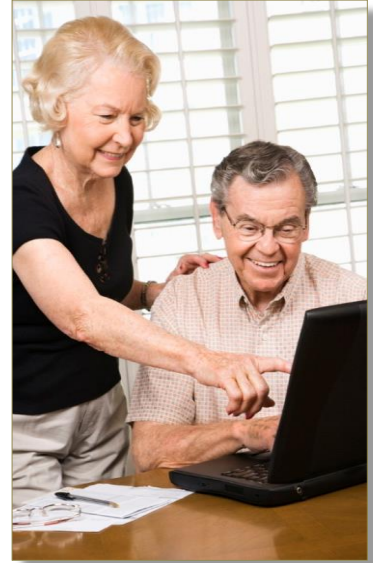
Joe and Dawn Green

Worked in real estate and acquired several rental properties over the years

Would like to donate one of the properties to support their church and two of their favorite ministries

Selling the property would trigger a 30% capital gains tax.

What can they do?....



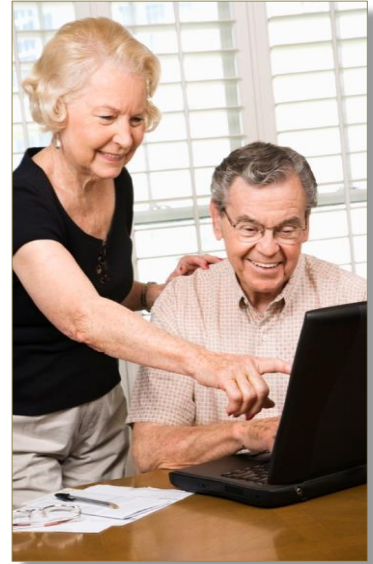
Case Study: Donor Advised Fund

Solution

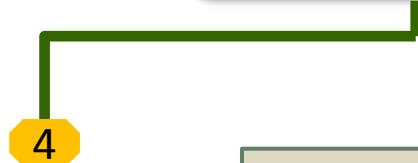
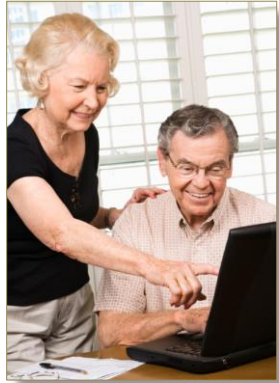
Established the “Green Family Fund” using a DAF, and contributed the property to the fund.

This gave them an income tax deduction and bypassed federal and state capital gains taxes.

Once the property was sold, they were able to make grants from their DAF to their church and other ministries.



How does a Donor Advised Fund Work?



1. Open account
2. Gift cash or assets
3. Receive tax deduction
4. Grant gifts

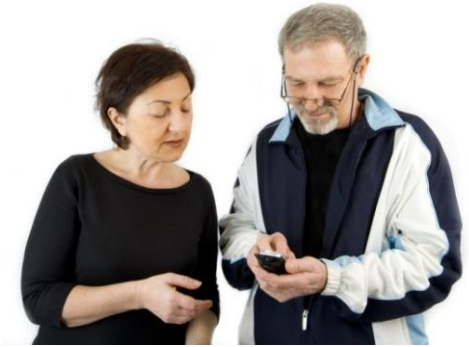
Case Study:

Gift and Sale

Kirk and Cindy own farmland they inherited from his parents many years ago. When they received the land, it had value of \$100,000. Since that time, it has appreciated substantially and is now worth \$500,000.

They have had several offer to purchase the land, but are balking at the high “price tag” of the capital gains taxes...in their case \$120,000!

They know they cannot keep all of the sales proceeds and would like to find a way to both receive some cash from the sale and make a gift to the Lord’s work.



Case Study: Gift and Sale

Outright Sale:

Fair Market Value \$500,000

Cost (tax) Basis \$100,000

Capital Gains \$400,000

Tax at 30% \$120,000 ← *Loss of capital !!!*

Net to Kirk and Cindy \$380,000

Net to Kingdom \$ 0



Case Study: Gift and Sale

Zero-Tax Solution: *Keep a portion, gift a portion...*



**Sale
Portion**
\$289,470



**Capital
Gains Tax**
\$69,475

**Gift
Portion**
\$210,530



Income Tax Savings
@ 40%
\$69,475

Case Study: Gift and Sale



*Income tax savings
offset
capital gain taxes*

**Sale
Portion
\$289,470**

~~**Capital
Gains Tax
\$69,475**~~

**Gift
Portion
\$210,530**

**Income Tax Savings
@ 40%
\$69,475**

**To the work of the
Kingdom: \$210,530!**

Case Study: Charitable Remainder Trust

John and Melinda, both 66, recently retired. They have always enjoyed giving to Kingdom causes. They would like to receive some additional income in retirement so they can travel more.



Twenty years ago they purchased stock in a public company for \$50,000. Recent dividends are negligible. Today, the stock would sell for \$200,000.

Is there a way they can utilize the stock to generate additional income during retirement, avoid capital gains taxes and help their favorite ministry?

YES! ...transfer the stock into a Charitable Remainder Trust

Unitrust

John--age 66

Melinda--age 66



Property

Value \$200,000

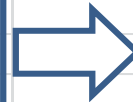
Cost 50,000

Gain \$150,000



5% Unitrust

\$200,000



Your Favorite Charity

\$200,000

Two

Lives



Gift asset to trust, sell tax-free. Bypass gain of up to \$150,000 may save up to \$43,200 in CG taxes. Income tax deduction of \$70,300 may save \$31,350 in inc taxes.

Annual unitrust income of \$10,000. Total income over 25.3 years of life expectancy is \$253,000

If trust earns 5% and pays 5%, then unitrust value decreases by 0%. After two lives, unitrust value passes without probate to charity.

Case Study: Charitable Remainder Trust & Sale

In the mid 1990's, Don and Dolores inherited 20 acres of wooded land in northern Michigan worth \$30,000. They have kept the land thinking they would retire, build a cottage, and spend time there with their 3 children and grandchildren.



In recent years, the 3 children and their families have moved to warmer southern states so building the cottage no longer makes sense. They are considering selling the land for \$150,000 using the cash to buy an RV to travel south and the balance for retirement.

Is there a way to sell the land, avoid capital gain taxes, generate some cash now and for the future and also help their favorite ministry?

Yes! ...transfer a portion to a CRT, retain a portion and then sell the land.

Sale and Unitrust

Don--age 70

Dolores--age 70



Property
 Value \$150,000
 Cost 30,000
 Gain \$120,000



Cash Received
 \$66,500

5% Unitrust
 \$83,500



Your Favorite Charity
 \$83,500



Gift \$83,500 to trust. Bypass \$66,800 of gain may save \$19,250. Tax ded of \$34,300 saves up to \$15,300 in inc taxes. Taxable gain of \$53,200 creates CG tax of \$15,300. Taxes offset each other. Net cash to donors--\$66,500

Two Lives

Annual unitrust income of \$4,178. Total income over 21.8 years of life expectancy is \$91,073

If trust earns 5% and pays 5%, then unitrust value decreases by 0%. After two lives, unitrust value passes without probate to charity.

Case Study: Charitable Equitable Partnership

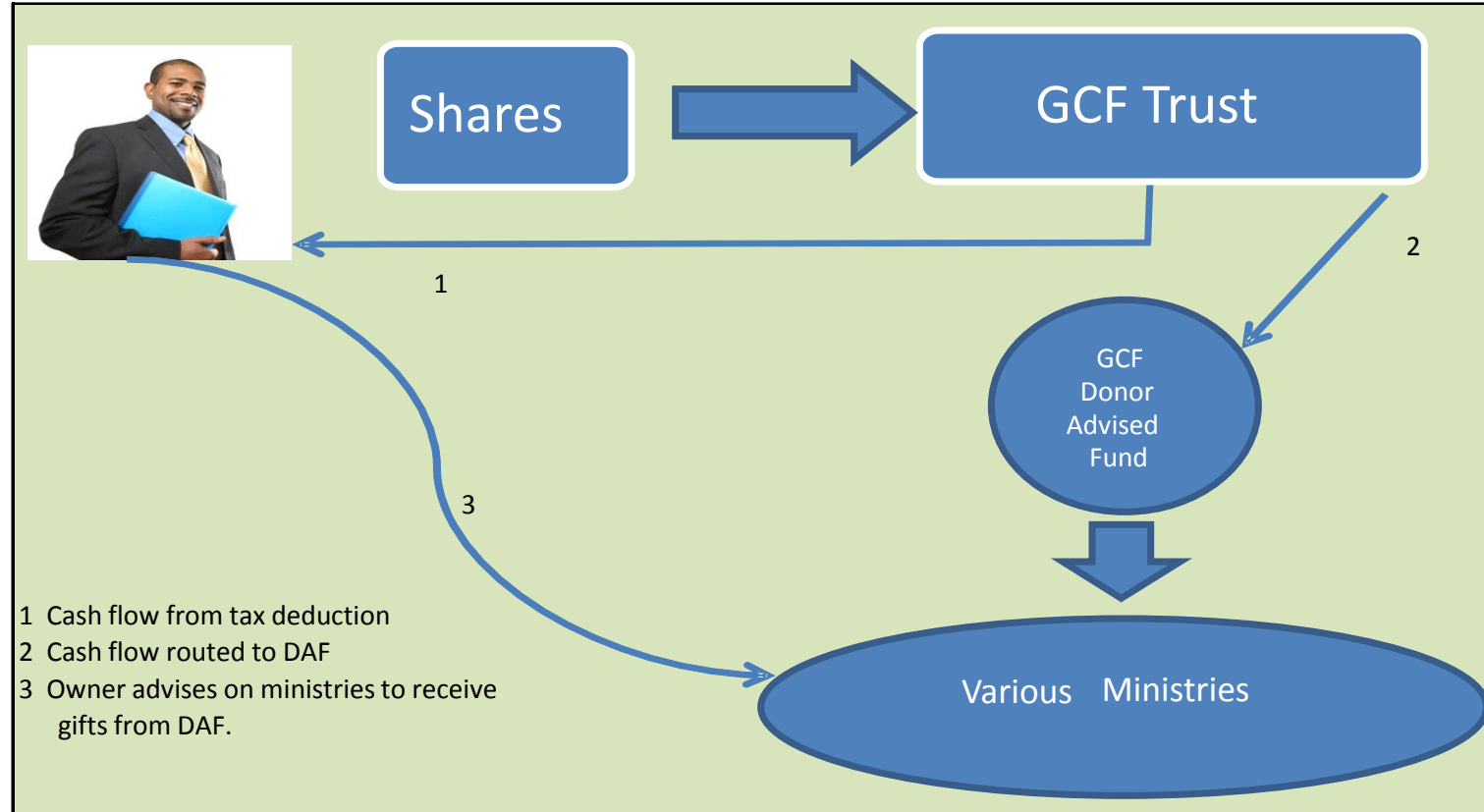
Joe Jordan owns a successful real estate development business. Because of his passion for spreading the Gospel, he has used his business to give as much as he could to ministry but he still wanted to do more.

Then he learned about the Charitable Equity Partnership which allowed him to release a portion of his business, accelerate tax deductions, increase cash flow for reinvestment and free up money for ministry.

As a business owner, Joe donated a minority non-voting interest to The Great Commission Foundation Trust receiving a tax deduction and tax savings. The profit received by the GCFT from the share held gets taxed but at no more than half of Joe's rate. The net profit--and the future gain on the sale of the shares—go into a Donor Advised Fund and he advises on its distribution to ministry.

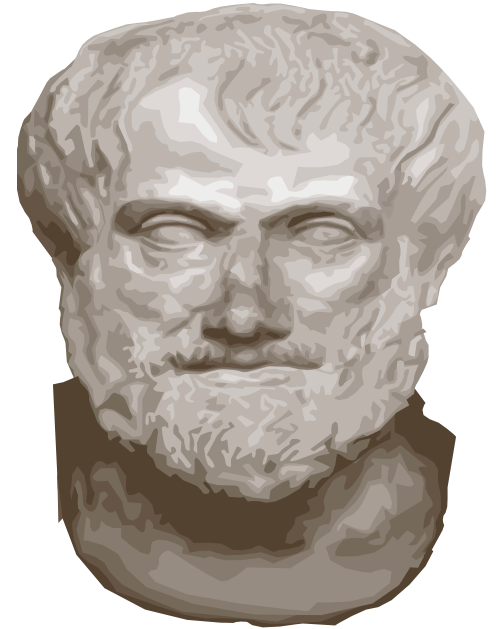


Case Study: Charitable Equity Partnership



“To give away money is an easy matter and in any man’s power, but to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man’s power nor an easy matter. Hence, it is that such excellence is rare, praiseworthy and noble.”

-- Aristotle



How Can We Help You?

- **Our services are designed for you, our partners. This is our ministry to you.**
- **Your information is kept confidential, and there is never any cost or obligation to give.**
- **We can interact with your trusted advisors, as desired.**
- **You may have multiple charitable interests. We believe it is the Holy Spirit's job to direct where to give.**



Why Include Us on Your Team?

- Experience no pressure, no cost, no hidden agenda.
- Receive from friends you know and trust.
- Understand all of your options.
- Reap the benefits of wise stewardship.



May we be of service to you?

Please feel free to contact Michael or Jay. We look forward to the opportunity to be of service to you and pledge our finest efforts and complete confidentiality.

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FOUNDATION**
A Cru Ministry

Q & A

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