



# FRIENDS OF THE ARMY

ESTATE AND FINANCIAL PLANNING IDEAS

## A Ladder Up

*“I never thought I’d have to ask for help. I had my own business and was able to provide. The Salvation Army has helped me to get to the treatments I need – I just want to get well enough to get back to work.”*

– David H.

When David H., who ran a successful painting business and owned a home, was diagnosed with cancer, his world fell apart. Surgery and the necessary follow-up treatments left him unable to work. For a while he kept up with his bills by selling his possessions, eventually giving up even the ladders that he needed for his job. But when these resources were exhausted, David could no longer meet his car or mortgage payments.

It was this critical situation that brought David to The Salvation Army. There, a social worker arranged for him to receive bus tokens for trips to his necessary medical appointments. With counseling and follow-up by Army staffers, David’s basic living needs are being supplied so that he can concentrate on his goal of regaining his health and getting back to work. He is grateful for support from The Salvation Army to help regain his self-sufficiency.



Many people are just one illness or accident or personal crisis away from financial disaster. Many others struggle with ongoing poverty, homelessness, mental illness or addiction. In winter-time and during the holidays, more people typically turn to us for help, but emergencies know no season, so our doors are open year-round to provide services such as personal emergency assistance like rent, food or clothing, and counseling.

We can do all these things because of the compassion of donors like you. But are you aware that, even as you help us, The Salvation Army can help you? There are many plans of giving, some of which are discussed in this newsletter. We would be glad to provide you with more information; just contact our office at the number you’ll find inside.

*Some people's legacies are engraved on monum*



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## Wise Strategies in This Season of Need

The approach of the holiday season is a time when human needs are felt most keenly by families facing hunger, eviction, or turn-off of utilities. Thankfully, gifts by thoughtful people at this time of year help to provide emergency assistance to those in desperate situations. This issue of *Friends of the Army* offers several tips for “doing the most good” with your year-end gifts:

■ **Gifts by check or credit card.** No one gives to worthwhile causes just to save taxes, but it should be noted that every dollar you contribute before January 1 will be deductible up to 50% of your adjusted gross income, if you “itemize” deductions (any excess can be deducted in the following years). These tax savings often enable donors to

increase their support for relief assistance.

■ **Stocks that have grown in value.** Investors who have benefited from the “bull market” that began in early 2009 can magnify the impact of their gifts by contributing marketable securities, including mutual fund shares, that they have owned more than one year. Donors can deduct their original cost, plus any increase in value, without owing capital gains taxes. (See the chart.)

■ **Gifts by business owners.** It's possible to contribute stock in your closely held business, with excellent results for both you and people in need. With proper planning, the gift would be “paid for” by the company, but you would receive a deduction on your personal tax return. Call us for details.

■ **“Accelerating” bequests.** Thoughtful people who have included charitable provisions in their wills or other estate plans often enjoy making those gifts right now – and seeing their generosity at work during their lifetimes. Large charitable deductions may be especially helpful to those who face high taxes in 2011, perhaps due to a 2010 Roth IRA conversion, sale of a business or other unusual event.



ents, but yours can be written on lives.

## Tax Savings from Gifts of Stocks That Have Doubled in Value Can Increase Impact of Gifts

Tax Bracket	25%	28%	33%	35%
Current Value of Securities	\$10,000	\$10,000	\$10,000	\$10,000
Income tax Savings	\$2,500	\$2,800	\$3,300	\$3,500
Capital Gains Taxes Avoided	\$750	\$750	\$750	\$750
Total Taxes Saved/Avoided	\$3,250	\$3,550	\$4,050	\$4,250

## Hidden Assets for Helping

Friends of the Army sometimes own assets that are no longer needed for financial security, and could achieve greater significance as contributions.

■ **“Surplus” life insurance policies.** Suppose that your family is grown and you no longer need a \$50,000 policy purchased many years ago. Let’s assume further that the cash surrender value of your policy is \$20,000. If you contribute the policy, you will be entitled to an income tax charitable deduction of roughly \$20,000, which reduces your taxes in the same manner as a cash gift. In addition, you can deduct any annual premiums you pay in the future.

■ **U.S. savings bonds.** Savings bonds are often “hidden assets for giving” that people have simply forgotten about and would not miss if they gave them to the Army. Owners are often surprised to discover that some of their savings bonds have even stopped earning interest. They may be interested in bringing new life to those bonds as thoughtful gifts (all series E and series H bonds have now “expired”). Note: Under Treasury rules, savings bonds must be cashed and the proceeds donated, which will create some taxable interest. But donors should save taxes, nevertheless, if they itemize their deductions.



## 2011 IRA Gifts Offer Seniors Satisfaction . . . and a Tax Bonus

Marie is a 73-year-old IRA owner who had to start taking “required minimum distributions” a few years ago – income she feels she really doesn’t need for her livelihood. When Marie complained about having to withdraw \$10,000 for 2011, her accountant pointed out a different option: “Your IRA may be your best resource for charitable giving.”

The accountant explained that if Marie’s IRA trustee wrote a check for the \$10,000 to a qualified organization, such as The Salvation Army, the gift would satisfy her required distribution for 2011 – and lower her taxable income by \$10,000. Furthermore, the IRA gift could reduce taxes on her Social Security benefits and minimize the loss of various tax breaks that are tied to a person’s “adjusted gross income.”

IRA gifts have proven highly popular among qualified donors (persons age 70½ and older) over the last five years. Donors can make IRA gifts up to \$100,000 in 2011 and reduce taxable income up to the amount of their required minimum distributions, which are usually 100% taxable. Even donors who do not itemize their deductions can save taxes. A few simple rules apply:

- Gifts must be made directly by the IRA trustee or custodian (you should not withdraw IRA funds and then write a check to the Army);
- Gifts should be made before you take your required annual IRA distribution;
- You should contact our office if you are planning an IRA gift so we can provide a receipt for tax purposes – just call or send back the attached card.

### A Gift Plan That’s Both Rare and Well Done

Here’s an idea for generous donors who are among the small number of Americans who still face federal gift and estate taxes (transfers over \$5 million): Fund a trust in 2011 that makes fixed annual payments to the Army for several years, then distributes all assets to children or others. The trust (a charitable lead annuity trust) can enable donors to balloon the \$5 million gift tax exemption into protection worth \$10 million, \$20 million or more. Call us for details on this gift technique... one that is both “rare and well done.”

**For more information on any of the topics discussed in the newsletter, simply fill out and mail this reply card.**

FIRST NAME \_\_\_\_\_

LAST NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_ ZIP \_\_\_\_\_

PHONE ( \_\_\_\_\_ ) \_\_\_\_\_

DATE OF BIRTH (OPTIONAL) \_\_\_\_\_

E-MAIL \_\_\_\_\_

▼  
*Detach here*

**Thank You**

*(Detach, fold and tape before mailing.)*

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▲ *Fold here*

- Please send me your new booklet, ***Minimizing Your Income Taxes.***
- I am interested in making a 2011 gift from my IRA.
- Please tell me about gift plans that save taxes and provide lifetime income for the donor.
- I am considering a provision in my will or other plans for the future assistance of The Salvation Army.
- I would like to discuss my planning with a Salvation Army representative.
- I have already made a provision in my estate plans for the Army, as follows:

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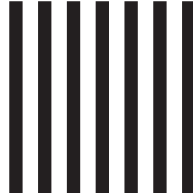


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# Send for our free publication, Minimizing Your Income Taxes



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**THE SALVATION ARMY  
OFFICE OF PLANNED GIVING  
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*From Our Office of Planned Giving:*

## Strategies for Lowering Your Taxes

Thoughtful tax and financial planning today can yield a rich harvest of benefits for you and your family. The Salvation Army has a new booklet, *Minimizing Your Income Taxes*, that covers a multitude of topics and ideas that can help you now and in the future.

Our booklet illustrates how you can employ a four-part strategy to reduce income taxes over the long term: Deduct, Divert, Defer and Convert. Such a strategy can also magnify the support you provide for people served by the Army. Here's an example:

Last year, thousands of people decided to *convert* their taxable IRAs to tax-free Roth IRAs. IRA amounts they converted are treated as taxable income, but a special 2010 rule allowed them to *defer* tax reporting until 2011 and 2012 (half being reported in each year). It now makes sense for these people to *deduct* as much as possible in 2011 and 2012 to

offset that extra income, which they can accomplish by maximizing charitable gifts, including support for The Salvation Army. One plan might be a charitable gift annuity that provides a large deduction and could also *divert* payments to a parent or other person in a lower tax bracket than the donor.

*Minimizing Your Income Taxes* explains many other ways that a thoughtful gift to The Salvation Army can be woven into your tax and financial planning, with good tax savings and perhaps lifetime income for you or loved ones. You can receive your free copy just by calling our office or returning the attached card.

*Please call our office for the appropriate wording whenever you are preparing a gift through your will, living trust, IRA or other beneficiary designation.*



Rich Dorsey, CSP  
*Planned Giving Director*



Steve Francis, JD, LLM  
*Planned Giving*

The Salvation Army  
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