



# FRIENDS OF THE ARMY

ESTATE AND FINANCIAL PLANNING IDEAS

## Reduce the Tax Bite on Your Investments



Before this year, investors paid only 15% tax on their profits when they sold securities. But after the 2013 tax changes, some taxpayers will owe as much as 20% in capital gains taxes when they sell, plus a 3.8% “net investment income tax” – nearly 24%, all told.

Bottom line: The federal tax cost of selling stocks, bonds and other investments has jumped by nearly 60% for high-income investors (state income taxes can take an additional bite).

Interest rates on bonds and CDs have been meager in recent years, but investors wind up keeping even less of their interest, thanks to federal income taxes that take as much as 43.4%.

Is it possible to protect your investment income from rising taxes? Should you consider investments that are taxed under more favorable rules?

Are certain tax-burdened assets the best resource for supporting worthwhile causes, such as The Salvation Army?

The Army has a new booklet, *Reduce the Tax Bite on Your Investments*, that explores how friends can keep more of their savings and investments through careful planning.

It may be that growth-oriented investments are worth exploring. Qualified dividends may be a better tax alternative than interest-bearing accounts. There may be ways to secure tax-free income, or boost deductions, or postpone taxes into the future. Perhaps you should do some profit-taking through a charitable gift plan that provides you annual payments for life.

For more on all these ideas, we encourage you to return the attached card to receive your free copy of *Reduce the Tax Bite on Your Investments*.

*Some people's legacies are engraved on monum*



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## The \$10,000 Gift That Cost Only \$4,850

What is the best thing anyone can give away to The Salvation Army? Tax-wise, the answer is securities that (1) have gone up in value and (2) have been owned more than one year.

Friends who give highly appreciated stocks and bonds receive a double tax benefit that can increase the impact of their generosity. As shown in the table below, they can deduct the full fair market value of their securities – not just what they paid originally – and they save again by avoiding all capital gains taxes on their “paper profits.”

Mutual fund shares, including

bond mutual funds, can be given to the Army with the same beneficial effect as listed and actively traded stock. If you decide to contribute mutual fund shares, please notify us as soon as possible and send us a copy of your mutual fund statement. Transfers can take from two to six weeks to accomplish and we will need to work with you and your account manager to ensure a 2013 deduction.

Note: As a result of the recent tax changes, tax savings for gifts of securities can be even higher for donors who owe the new 3.8% net investment income tax or pay capital gains tax at a 20% rate.

### Tax Savings from Giving Stock Worth \$10,000 that Cost \$5,000 Originally

<i>Tax bracket</i>	25%	28%	33%	35%	39.6%
Income tax savings	\$2,500	\$2,800	\$3,300	\$3,500	\$3,960
Capital gains tax avoided	\$750	\$750	\$940*	\$940*	\$1,190**
Total tax savings	\$3,250	\$3,550	\$4,240	\$4,440	\$5,150
Cost to give \$10,000	\$6,750	\$6,450	\$5,760	\$5,560	\$4,850

\*Includes 3.8% tax on net investment income.

\*\*Includes 3.8% tax on net investment income, plus a 20% capital gains tax rate

ents, but yours can be written on lives.

## Switch Investments, Help the Army

Marie fears she has too much of her savings invested in a bond mutual fund, which took a dive over the summer-time and provides little in the way of spendable income.

Frank has been pleased with how his investments have fared during the four-year run-up in the stock market, but worries about a “correction” that might cut a swath through his paper profits. But selling would mean taxes of nearly 24% on his capital gains (20% capital gains taxes and 3.8% net investment income tax).

Both Marie and Frank are strong supporters of The Salvation Army, which opens

up some remarkable options. Marie can transfer some of her bond mutual fund shares to the Army for a gift annuity – most of which will be tax free or favorably taxed capital gains – plus a charitable deduction.

Frank could transfer part of his stock portfolio into a charitable remainder unitrust that will (1) avoid all taxes when the stocks are sold, and (2) qualify him for a large charitable deduction, which he dearly needs in his 39.6% tax bracket.

Our experienced gift planning staff would be pleased to show you similar gift opportunities that would work in your own situation.





## Are You Over Age 70½?

Direct IRA gifts (“qualified charitable distributions”) offer a unique opportunity for IRA owners over 70½ to assist the Army and reduce taxable income – even if they cannot itemize their deductions. IRA gifts can also reduce a person’s *adjusted gross income* and ease or eliminate various tax penalties tied to “AGI.”

Donors can transfer up to \$100,000 through December 31, free of tax, and gifts will satisfy part or all of a person’s required minimum distribution for 2013. It’s vital that you contact our office if you’re planning an IRA gift so that we may coordinate with your IRA administrator to ensure your gift is completed before January 1, and provide you with the necessary receipt.

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

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STATE \_\_\_\_\_

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

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

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

**Thank You**

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

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*Detach here*

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▲ *Fold here*

I would like to receive a copy of your complimentary booklet, *Reduce the Tax Bite on Your Investments*.

I would like to receive more information about The Salvation Army Hometown Endowment Fund.

I am interested in making a 2013 gift from my IRA.

Code?

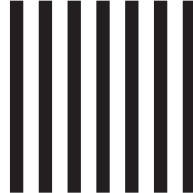


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*From the Office of Planned Giving*

## The Salvation Army and Your Hometown

Friends of the Army are sometimes curious why we are called the office of “planned” giving. Do people really need a “plan” in order to help the people we serve?

The answer is that supporters can achieve far greater satisfaction and impact with their gifts by carefully planning *what* they give, *how* they give, *when* they give, and especially the *purposes* their gifts should accomplish.

Do you have particular goals in mind when you contribute to worthwhile causes?

A recent survey of 100,000 Salvation Army supporters asked respondents to list the reasons why they give to charitable organizations. A majority answered that they wanted to impact the future, or that philanthropy was a religious obligation for them. Many replied simply,

“I feel good when I give.” But the largest number (91%) responded that “I want to help the community.”

A perfect idea for these donors could be The Salvation Army Hometown Endowment Fund. This very special fund ensures continuous and stable support for local Army activities to help those who need us most. It makes available, now and in the future, a source of income to continue Army programs.

Each fund is accessed only by the hometown corps to serve people in need and for emergency operation expenses. With the help of the endowment fund, the corps takes a long step on the way to becoming financially self-supporting. Please call our office for details on this exciting program.

### Mission Statement

The Salvation Army, an international movement, is an evangelical part of the universal Christian church. Its message is based on the Bible. Its ministry is motivated by the love of God. Its mission is to preach the gospel of Jesus Christ and to meet human needs in His name without discrimination.



Rich Dorsey, CCNL  
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The purpose of this brochure is to provide accurate information of a general character only. For specific recommendations, each person should consult his or her own qualified professional adviser.



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## *Inside This Issue of Friends of the Army*

- Reduce the Tax Bite on Your Investments
- The \$10,000 Gift That Cost Only \$4,850
- Switch Investments, Help the Army
- Are You Over Age 70½?
- The Salvation Army and Your Hometown