



FRIENDS OF THE ARMY

ESTATE AND FINANCIAL PLANNING IDEAS

How The Salvation Army Has Helped

Every day The Salvation Army touches the lives of thousands of individuals, from the very young to the elderly. In most cases, we can see the immediate, positive impact we have in their lives. But rarely do we get to see the long-lasting effects of our encounters with them.

However, in the case of Arletta, we do know, because she was kind enough to share her thanks, and her thankfulness has expressed itself in the form of donations to The Salvation Army for more than 20 years!

Let's allow Arletta to tell her story in her own words, from a letter she sent this past year:

Dear Salvation Army:

I want to say thank you for the two Christmas gifts and treats my family received from you when I was 5 and 6 years old.

You gave me my first and only tricycle. I came from a large, poor family. Our house burnt down and we moved to a new home in 1945. I was two and a half years old then. If not for you, my little brother and

I would not have had a happy Christmas.

P.S. When I got married and had the extra money, I began giving back to you.

*Most grateful for all you do,
Arletta R.*

We're grateful for so much of what Arletta's story expresses. We're grateful that The Salvation Army was there to help her family in their need back in the 1940s. We're grateful for the joy that tricycle provided to Arletta. We're grateful that she took the time to share her story with us. We're grateful for Arletta's generous support of our mission and work for more than 20 years. And we're grateful to all those, like Arletta, whose support makes it possible to continue helping those in need day after day. Thank you, Arletta! You affirm that what we do makes a difference; because of you we're encouraged to press forward in this important and life-changing work. Thanks for making our day, our week...our year!



Arletta on her Salvation Army tricycle

Some people's legacies are engraved on monum



DOING THE
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Plan for the Upcoming Tax Changes

Sunsets are supposed to be things of beauty, but not when it comes to tax legislation. On January 1, 2013, the federal estate tax exemption is scheduled to drop to only \$1 million (from the current \$5.12 million) and all the “Bush tax cuts” are due to expire as well, leaving many taxpayers with higher tax rates and fewer tax breaks.



This issue of *Friends of the Army* examines what Congress may do about these tax “sunsets,” and offers some planning strategies to consider, including how to best support The Salvation Army. We are pleased to offer our comprehensive new publication, *Personal Planning Before Year's End*. Just send back the attached card for your free copy.

How Can You Plan for Estate Taxes?

What does the current tax law uncertainty mean for your estate plan? As a starting point, take some time to total up your present net worth.

- If your taxable estate exceeds \$1 million, ask your advisers if you should make 2012 gifts to your beneficiaries to take advantage of the current \$5.12 million gift tax exemption.

- Married couples may need special trusts to ensure the maximum estate tax shelter for each spouse.

- “Formula clauses” in wills and trusts that are tied to

changing exemption amounts may also need to be revisited.

It's vital that you monitor ongoing tax legislation in Congress and revise your estate plan accordingly. If changes in your plans are needed, we hope you will consider adding or increasing a bequest to The Salvation Army (100% deductible for federal and state estate tax purposes).

Note: Many friends of the Army may be affected by state inheritance or estate taxes, and we strongly suggest you send for *Stop Your Estate from Shrinking*, our publication on preserving your assets.

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Tax Savings May Be Higher for 2012 Gifts

People don't give to The Salvation Army just to save taxes. But tax savings clearly enable friends to *do more* with their generosity. While it's seldom prudent to predict the course of future federal tax legislation, some tax advisers are telling clients that the tax rewards for charitable giving may never be better than they are right now, in 2012, and that those incentives could decline considerably under various legislative proposals. Some changes recently under consideration would:

- Limit tax savings from charitable deductions for donors in high tax brackets;
- Permit deductions only above a certain floor (similar to medical expense deductions);
- Replace the deductions with a less generous tax credit;
- Calculate donors' tax savings under a lower "flat tax" rate.

The year 2012 could be a good time to follow through with planned gifts you may have been considering, such as charitable gift annuities, possibly using stocks that have grown in value (that you have owned more than one year). Benefits of gift annuities include:



- Lifetime payments to one or two people of your choice;
- Payout rates of up to 9% based on age;
- 70% to 85% tax-free payouts during recipients' life expectancies;
- Large charitable deductions;
- Capital gains tax savings for gifts of securities.

Please contact our office for a personal illustration of all your potential benefits.

What if absolutely nothing changes with regard to charitable giving incentives? As a general strategy, it's better to achieve tax savings as early as possible. And if Congress later reduces tax rewards for charitable giving, both you and the Army will benefit from your good timing. Please call our experienced gift planning staff for ideas on making the most of your generosity.



IRA Charitable Gift Strategies

Since 2006, many Salvation Army donors age 70½ and older have taken advantage of their unique ability to make lifetime charitable gifts directly from their IRAs. Unfortunately, the IRA gift law expired in 2011, and Congress may not get around to renewing it until late 2012. But there's a way for many donors to ensure tax savings, no matter what Congress does.

Direct IRA gifts to the Army are attractive because they can satisfy part or all of an IRA owner's annual required minimum distribution – reducing taxable income without the need to itemize deductions.

IRA gifts also may ease certain tax penalties and restrictions.

For qualified donors who do itemize their deductions, a good strategy would be to instruct your IRA custodian to make a direct 2012 gift to the Army from your account, up to your required minimum distribution. If Congress should fail to renew the IRA provision, you would report the minimum distribution but could still take a charitable contribution deduction that avoids tax.

Our staff is closely monitoring IRA tax legislation, and we encourage you to contact our office before making any IRA gift.

Gifts That Carry a Bonus

Tax-savvy donors know that they can magnify their charitable support for The Salvation Army by contributing stock that has gone up in value, thanks to a double tax benefit: Donors avoid all capital gains taxes on the “paper profit” on their investments, and they can deduct the full fair market value of their securities, not just what they paid originally. (Donors must have owned their securities more than one year.) Yes, many people still have stocks that have gone up in value. These tax savings also apply to other types of appreciated assets, such as mutual funds and closely held stock. Our staff would be pleased to walk you through the simple steps to making a gift of securities.

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

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Thank You

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- I would like to receive a copy of your complimentary publication, *Personal Planning Before Year's End.*
- Please provide me with your complimentary guide on state inheritance and estate taxes, *Stop Your Estate from Shrinking.*
- I'm interested in planning:
 - a gift of stock
 - a charitable gift annuity
 - a direct IRA gift.
- I am considering a provision in my will or other plans for the future assistance of The Salvation Army.
- I have already made provision in my estate plans for the Army, as follows:

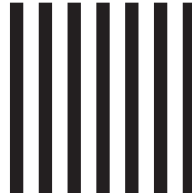


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Might This Be You?

1. *You have stock* that has gone up in value, want to avoid capital gain taxes, and are seeking to make a tax-wise gift to charity. If you have held the stock for more than one year you can contribute the stock directly to The Salvation Army and avoid capital gains tax plus qualify for a charitable income tax deduction for the full current stock value.

2. Like situation number one above, you also have stock that has gone way up in value – but *you want to keep holding* that company. You can make the same charitable gift using your stock and get the same benefits. However, you then buy the same number of shares on the stock market. This gives you a new, increased cost basis so you will also save capital gains taxes in the future.

3. You have reached the age where *you are required to take a “minimum required*

distribution” from your IRA or other retirement plans before the end of each year. You must pay income tax at the highest rate on these withdrawals. If you itemize, a year-end gift to The Salvation Army can shelter your income from the income tax liability on your withdrawal.

4. *You would like to find out more* about tax-wise year-end strategies.

If you fit any of these scenarios or you would just like more information on these topics, please contact us as indicated below. We can provide more information including instructions regarding stock gift transfers.

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, CCNL
Planned Giving Director



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Inside This Issue of *Friends of the Army*

- **How The Salvation Army Has Helped**
- **Plan for the Upcoming Tax Changes**
- **How Can You Plan for Estate Taxes?**
- **Tax Savings May Be Higher for 2012 Gifts**
- **IRA Charitable Gift Strategies**
- **Gifts That Carry a Bonus**
- **Might This Be You?**