



"Giving" Advice



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ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors

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Beyond Your Nest Egg, Building a Cushion for the Kids

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NEW YORK (AP) - Your stocks are battered and your real estate is wrecked. The last thing you want to do is think about giving away money. But that hit means it's even more important to make sure you are leaving your heirs as much as possible.

Beaten-up prices for real estate, bonds and stocks and low interest rates mean this is a great time to set up a trust or begin gifting some of your wealth to your family. Meanwhile, the federal estate tax can affect individual estates worth more than \$3.5 million. The Obama administration is expected to lock in that level for the future, though it's currently set to fall back to \$1 million in 2011.

Fortunately there are things you can do now to help ensure that what you've got left will end up going to your heirs and not to the taxman. Creating a will -- and remembering to sign it -- is the first step, but here are some other options to consider.

GIVE IT AWAY

This year, you can make tax-free gifts worth \$13,000 -- up from \$12,000 last year -- to as many people as you'd like. A couple can give up to \$26,000 to each recipient.

Giving stocks or other items that have lost value but will likely appreciate makes a lot of sense right now. Beth Gamel, executive vice president with Maryland-based Pillar Financial Advisors, says a 90-year-old client has been able to give away a lot more of her General Electric stock than

transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

she could have in past years. The stock's drop means 1,000 shares currently fall below the gift-tax level, while at its \$60 peak in 2000, that the cutoff would be about 200 shares.

INTRA-FAMILY LOANS

Prefer to help your ambitious offspring start a business or buy a house now rather than fatten Uncle Sam's wallet after you're gone? Make them a loan.

The recipient must agree to repay the loan and pay an interest rate set by the IRS -- often called the "hurdle rate" -- to qualify for loan and not gift status. Rates, which vary based on duration and other terms, range from record lows of less than 1 percent to 2 percent. And if the accumulated interest payments fall below the \$13,000 threshold, the loan agreement can include a stipulation that gives the interest tax-free to the recipient.

Another client with Pillar Financial is actually using the technique to loan funds to his parents. Big hits to retirement savings mean this is a great option for some older people with successful children.

FAMILY LIMITED PARTNERSHIP

It's an especially good time to create a partnership that gives heirs pieces of a family business. Business values have fallen, meaning more can be gifted tax-free right now. Since the minority shareholders lack the decision-making rights of majority shareholders, the stakes are valued at a discount -- often between 10 to 50 percent. The discount makes it easier to transfer big chunks of business tax-free. The IRS is thinking about limiting the minority discount, Chuck Roberson with New Jersey-based Modera Wealth Management says. Anybody considering this route, or the trust options that follow, should work closely with their CPA or an attorney.

INTENTIONALLY DEFECTIVE GRANTOR TRUST (IDGT) AND GRANTOR RETAINED ANNUITY TRUSTS (GRAT)

Both these trusts will benefit from being filled with stocks, bonds and real estate -- anything with a depressed price -- that's expected to rise. Low hurdle rates are good for both trusts because the interest must be paid out to the grantor, so the assets in the trust have to appreciate above the hurdle level to yield a benefit to the recipients. That's pretty easy to achieve right now.

The weirdly named intentionally defective grantor trust is so called because the grantor pays taxes on any income from the assets, enriching the gift for heirs. But these trust structures work best for wealthier individuals seeking to avoid estate taxes, and can cost between \$5,000 to \$20,000 to create.

CHARITABLE LEAD TRUST

These are a good option right now for people who want to help their heirs, but also want to donate to their favorite charities, says Roberson. An income-producing asset is placed in the trust and benefits a designated charity for a set term, after which the assets go to the grantor's heirs. Lower interest rates mean charitable deductions -- applied against the value of the trust -- are generally going to be higher, Roberson says. That's especially good for people seeking to avoid or limit estate taxes.

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