

GRACIOUS GIVING

Planning with a Joyful Heart

How a Deferred Payment Charitable Gift Annuity Helped Us

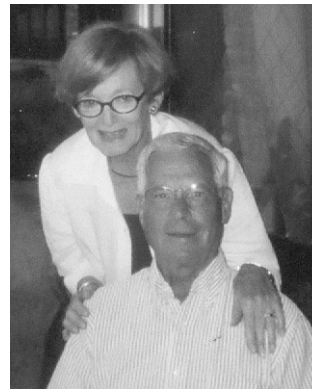
by Jim Moore, Chairman of the Board, Reformed Theological Seminary

As I was approaching retirement, Betty and I knew that now, during this new phase of our lives, it was a good time to review our assets and make changes appropriate for a couple with new financial objectives. Income was becoming more important rather than growth on our investments. We also continued to be interested in minimizing our income tax bill to both the federal and state governments.

Because I had been responsible for planned giving during my professional career, I was familiar with the multitude of planned giving options that were available to us. The benefits of these plans and arrangements were known to me. I had recommended so many of them to others in the past. I reviewed all the plans and confirmed that a Deferred Payment Charitable Gift Annuity (DCGA) was right for us. Despite my experience, it was helpful for us to get more objective advice from the gift planning professionals at Reformed Theological Seminary.

Why did we select a Deferred Payment Charitable Gift Annuity over the other plans? First, as an electrical engineer, I had invested in some technology stocks a long time ago that had been really good performers. They had grown significantly in value although they did not produce much income. If we cashed them in, there would have been a large capital gains tax on them, thus reducing the benefit to us in our retirement. The “tax man” would have gotten almost as large a share as we would have! Appreciated stock is ideal for a DCGA because the capital gains tax owed can be greatly reduced. Plus, any capital gains tax that is due can be spread over our two life expectancies, thus reducing the impact on us. I like that!

Another key consideration was low-dividend cash flow being produced by these securities and the increased cash flow from a DCGA. These technolo-



Jim and Betty Moore

gy stocks paid low or sometimes no dividends. I could actually almost double my cash flow with a DCGA. The increased income fit right into our new retirement planning.

As the TV commercial says, “Wait, it gets better!” There are other immediate and ongoing advantages from a DCGA with Reformed Theological Seminary. Some of these include: income greater than otherwise can be accomplished through a regular gift annuity; not being limited by law to putting as much as we desired into a plan, as is the case with an IRA; no restrictions as to when we can begin taking the income; a significant charitable deduction in the year the plan is created (and possibly up to an additional five years); a major portion of the income coming back to Betty and me through the years not being taxable;

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Timing is Everything

Knowing when to act is often as important as knowing what needs to be done. This is especially true when it comes to tax planning. Here are some ideas for year-end 2010, along with others for the new year:

Before January 1, 2011:

- Check your estimated tax payments and withholding to make sure you've paid in the proper amount to avoid a penalty. Most taxpayers must pay in at least 90% of their tax liability for 2010 (or 100% of the amount owed on your 2009 tax return).
- Many expect Congress will renew for 2010 a law permitting charitable gifts from IRAs by people over age 70½. If you're eligible, check with us about making a gift this year.
- Use all the funds in your flexible spending account to avoid losing the money. Buy a new pair of prescription glasses, stock up on medications or see your health care provider for a check-up.
- Take required minimum distributions from IRAs and 401(k) accounts to avoid a 50% penalty.
- Consider gifts to Reformed Theological Seminary to increase 2010 charitable deductions. You can mail a check as late as December 31, but for gifts of stock or mutual fund shares, more time may be needed to complete the transfer.

After December 31, 2010:

- If you're eligible to participate in a retirement plan, make your 2011 contribution as soon as possible, giving the funds longer to grow tax-deferred. If you haven't already done



so, you have until April 15, 2011 to make your 2010 contribution to an IRA – up to \$5,000, with an additional \$1,000 make up contribution for those age 50 and older.

- Revisit your withholding and estimated payments, particularly if you'll be getting a big tax refund. You can avoid giving the IRS an interest-free loan by paying in only what's required.

Always the right time:

- Have your estate plan reviewed by your attorney to see if changes are needed. This may be especially important if estate tax rates change, as scheduled. Remember, you can add a bequest to Reformed Theological Seminary through a simple codicil to your existing will.
- Review beneficiary designations on retirement plans, insurance policies and financial accounts.
- Call us about gifts that provide income for life to you or your family members, with eventual benefit for our programs.

The RTS Foundation has a new booklet, *Better Living Through Charitable Giving*, that discusses many ways in which you can indeed help yourself and your family while also making a significant contribution toward our future. We encourage you to return the enclosed card or call our office for your free copy.

Jim and Betty Moore *(continued from page 1)*

the security of knowing the income is guaranteed for both of our lives; and most of all, knowing that when we are gone, the benefit continues to support the ministry of RTS, which we have supported for so many decades. God's work is blessed by our stewardship all the while insuring our retirement future.

Betty and I prayed about how we would do this long before doing it. We picked out three stocks that we thought were great DCGA candidates and set a target price for the package to sell that would meet our objectives. We brought my stock broker into our plans so he could help us watch our package relative to the target. This would enable us to quickly act when the price was right.

Watching the market move toward a target is similar to fishing – you can spend a lot of time just quietly watching

nothing happen! We patiently waited for months as the selected package of securities “flirted” with the target we had set, but it never reached it. Then, on September 25, 2007, something very interesting happened. My daily routine is to jog/walk in the afternoon. On that day it rained, so I did not work out, but continued to watch our selected stock package. All of a sudden, it crossed the target during my normal workout time. I called our broker and told him to sell. By the end of the day the price was again under the target! There was a very short window of opportunity to hit my target. I don't claim to be a market timer, but the timing was perfect that day. To God be the glory! He is the best market timer of all!

What happened in 2008 and 2009 is now history. The “bottom

line” is that the value of the stocks we used to own still has not recovered to where it was the moment we placed them in the DCGA. Working with the professionals at RTS and with our broker, we locked in the value on September 25, 2007, and we do not have to worry about the value of my DCGA stock funding package anymore – all we have to do is record the automatic deposit in our checking account. Life is good! We love our DCGA from Reformed Theological Seminary. Your story may be different and your needs may be different, but RTS has a plan that can be designed just for you that will meet your needs. I encourage you to call Bob Bridges at the RTS Foundation and let him work with you so that you, too, may achieve your goals now and in the future.

What to Do if You Receive an Inheritance

- 1.** Don't rush into anything. Take your time and consult with financial experts about how to structure your assets. You may wish to pay off debts or a mortgage or rebalance your portfolio.
- 2.** Get expert advice on dealing with IRAs, 401(k)s and other retirement accounts. You may be able to spread distributions over your life expectancy, providing steady income and minimizing taxes.
- 3.** Review your own estate plan. Many estates may be subject to estate taxes beginning next year, unless tax laws are changed. There may also be state estate and inheritance taxes to consider.
- 4.** If future income will increase, we can show you gift ideas that provide income tax deductions today and income for life – with future assistance for Reformed Theological Seminary.



YOU CAN RECEIVE UP TO
9.5%*
with a CHARITABLE GIFT ANNUITY
at REFORMED THEOLOGICAL SEMINARY

BENEFITS:

- Income for life of one or two persons
- Security: Backed by the assets of RTS
- Fixed income: Payments never change
- Effective rate of return is greater than quoted due to significant tax benefits
- Charitable tax deduction when established
- Not all income is taxable
- Amount to establish can be as small as \$5,000
- The older the annuitant(s), the higher the rate*
- Assists RTS students

Let us show how a Charitable Gift Annuity may benefit you and RTS. We will prepare a personal proposal with tax and income benefits.

Contact Robert T. Bridges,
executive vice president,
RTS Foundation,
at 866-926-4787; 407-366-9493, ext. 224;
or rbridges@rts.edu.

*You may also wish to inquire about our new
Mind & Heart Donor Advised Fund.*

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*“Supporting the ministry of
Reformed Theological Seminary”*

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