



FOREVER BLUE.SM

Learning to do, Doing to learn, Earning to live, Living to serve.

THE GIFT-PLANNING NEWSLETTER OF THE NATIONAL FFA FOUNDATION

FALL 2007

Dear Friends,

I am pleased to welcome you with the first issue of *Forever Blue*.

Our gift-planning newsletters will provide information about estate and financial planning, as well as thoughtful charitable gift arrangements. Each issue will feature a different topic and include a reply card that you may return to request further information. In this first issue, we feature the different types of charitable gifts and the ways in which each may benefit your financial and philanthropic goals.

We all want to find ways to minimize our taxes, get the most out of our investments, plan effectively for retirement, and identify the best ways to support our families and the charitable organizations that are important to us.

I welcome the opportunity to talk with you and explore the means to accomplish your goals.

Sincerely,

Roberta L. Donahue, MBA, CFRE
Director, Individual Giving

Planned Giving: AN AMERICAN TRADITION

To preserve the memory of a loved one... to express gratitude for a service well-performed... to demonstrate deep-felt humanitarian concerns... to support a tradition of excellence in education... These are just a few of the reasons that each year thousands of people contribute their time, money, and talent to America's charitable organizations. Indeed, private philanthropy is the foundation of every charitable endeavor.

Considering today's economy and the increased complexity of our nation's tax structure, it is more important than ever to plan your charitable gifts carefully. The need for planning is twofold: one, to ensure that your gift will be put to the best possible use and, two, to ensure that the gift fits your financial needs and objectives.

Planning a gift to FFA can be an exciting and rewarding experience. The process involves asking yourself a few questions:

- What are my personal and financial needs?
- What assets do I have available for funding my gift?
- What is the best way to make my gift and fulfill both my family and my charitable objectives?

As you review your assets and explore the different ways to give, we would welcome the opportunity to assist you and your advisors with information about planned gift opportunities with FFA.

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Request our complimentary booklet, <i>Ways to Give</i> .	

TYPES OF GIFTS: ASSETS



The type of asset you give and the way you transfer it to FFA will determine the tax and financial benefits resulting from your gift, as certain kinds of gifts may be more advantageous than others from these standpoints. It pays to plan your gift in order to secure maximum benefits.

Cash

A gift of cash is the simplest and most direct way to contribute to charity. You may designate your gift for a specific purpose, or you may choose to leave your gift undesignated to be used in the area of greatest need.

The out-of-pocket cost of a cash gift is less than the dollar amount of the gift because of the charitable income-tax deduction. **Example:** *A person in the 28% tax bracket can make a contribution of \$1,000 at an actual cost of only \$720.*

Appreciated Securities

An alternative to a gift of cash deserving careful consideration is a gift of appreciated securities that you have owned for more than one year. Substantially greater tax benefits result because you avoid capital-gain taxation. **Example:** *If you are in the 33% tax bracket and contribute \$10,000 worth of long-term appreciated stock to FFA, you will realize an actual income-tax savings of \$3,300. If you paid \$3,000 for the stock you are contributing and owned it for more than 12 months,*



The 2006-07 National Officers take charge.

you will also avoid capital-gain tax of \$1,050 (15% of \$7,000). Thus, the actual cost of a \$10,000 gift of long-term appreciated securities can be reduced to only \$5,650 (\$10,000 less income-tax savings of \$3,300 less capital-gain tax savings of \$1,050).

Tangible Personal Property

Antiques, rare books, prized collections, and works of art are some of the items of personal property contributed to charity. As long as the property you donate to us is related to the purpose of FFA Agricultural Education (for example, agri-science equipment to a local FFA chapter), you may deduct its full fair-market value.

Real Estate

Personal residences, farms, vacation homes, and commercial and rental properties are often given as gifts. Like gifts of long-term, appreciated securities, a gift of real estate can be very attractive because of the double tax benefit—an immediate charitable deduction and the avoidance of capital-gain tax.

However, family considerations may not permit your making an *outright gift* of your personal residence or farm. Instead, you may want to consider a gift to FFA of a *remainder interest* in such property. Even though you will retain the right to possess and enjoy the property for as long as you (and your spouse) live, you'll obtain a current income-tax deduction for the present value of our remainder interest.

Life Insurance Policies

An asset that is frequently overlooked is life insurance. If the original need for which a policy was purchased no longer exists, a gift of this asset can be very rewarding, particularly if the policy is fully paid-up.

You may also consider using life insurance when you make a gift of another asset (*highly appreciated real estate, for example*) but wish to replace the value of that asset for your family. By using the actual tax savings generated by your gift to purchase a life insurance policy, you can replace the value of the gift in your estate for the benefit of your family.

WAYS TO GIVE: LIFE-INCOME PLANS



Basically, a life-income gift plan with FFA is an arrangement under which you make a gift of cash or property (*stocks, bonds, real estate*) in exchange for a stream of income for life: You transfer an asset *but reserve the right to receive payments* from the asset. Life-income gifts may be made in the form of trusts or gift annuities.

Gifts in Trust

In its simplest terms, a trust is an arrangement under which an individual transfers legal title to property to another (*the trustee*) who manages the property for the benefit of the individuals and/or organization specified in the trust agreement.

Trusts that make lifetime payments to the specified beneficiaries and ultimately benefit charity are known as charitable remainder trusts. These trusts may take one of two basic forms:

- The charitable remainder unitrust
- The charitable remainder annuity trust

The principal difference among the two types of trusts is the nature of the payments made to the beneficiaries:

You can avoid capital-gain tax on appreciation by utilizing trusts.

Payments from a unitrust vary according to the investment performance of the trust. Payments from an annuity trust are *fixed* when the trust is created and will not vary over the lifetimes of the beneficiaries.

Planning pointer: If you fund any of these trusts with long-term appreciated securities, you will receive the benefits listed above, *plus an additional tax benefit:* You will avoid capital-gain tax on the appreciation, thus preserving more of your gift to make the payments.

Gift Annuities

The gift annuity is perhaps the simplest and most popular charitable life-income arrangement. It does not require a complicated agreement, and the amount needed to fund it can be as little as \$10,000. Basically, a gift annuity is a contract between the donor and the charity. In exchange for a gift of cash or marketable securities, fixed payments are guaranteed to the beneficiary(ies) for life. **Planning pointer:** A gift annuity will generate the benefits listed above, *plus an additional tax benefit:* A portion of each annuity payment will not be subject to federal income tax.

Example: Tom B, 65, makes a gift of \$50,000 to the National FFA Foundation. In return, we promise to pay Tom \$3,000 a year for as long as he lives.

Sample Benefits of a \$10,000 Gift Annuity

AGE(S)	PAYOUT RATE	TOTAL ANNUAL INCOME	TAX-FREE PORTION	ALLOWABLE CHARITABLE DEDUCTION
One annuitant				
60	5.7%	\$570	\$266	\$3,581
65	6.0%	\$600	\$304	\$3,949
70	6.5%	\$650	\$360	\$4,277
75	7.1%	\$710	\$428	\$4,688
80	8.0%	\$800	\$522	\$5,101
85	9.5%	\$950	\$675	\$5,404
Two annuitants				
60-60	5.4%	\$540	\$242	\$2,847
65-65	5.6%	\$560	\$274	\$3,187
70-70	5.9%	\$590	\$314	\$3,561
75-75	6.3%	\$630	\$366	\$4,000
80-80	6.9%	\$690	\$436	\$4,466
85-85	7.9%	\$790	\$541	\$4,858

Calculations are based on quarterly payout.

BEQUESTS

Each year thousands of individuals, exercising the privilege to determine the final distribution of their estates, designate that a portion of their assets be used for the benefit and support of a charitable organization.

In addition to the personal satisfaction of making a philanthropic bequest, gifts by bequest will enable you to make

significant charitable contributions that may not have been possible during life and provide you a charitable estate-tax deduction for the full value of your gift.

Any number of various types of bequests may be used to memorialize your philanthropic interests. The choice depends on your unique circumstances and personal and financial objectives.

A *specific bequest* identifies particular assets, while a *general bequest* provides a sum certain as the subject of the gift. A *percentage bequest* expresses the gift as a percentage of your total estate, regardless of size.

It is also possible to make a gift of what is left after taxes, debts, expenses, and other bequests have been satisfied (*a residual bequest*) or to condition a gift on the occurrence of some event, such as an intended beneficiary predeceasing you (*a contingent bequest*).

Receive a charitable estate-tax deduction for the full value of your gift in a bequest.

Sample Bequest Language for percentage of estate for unrestricted purposes:

I give, devise, and bequeath to the National FFA Foundation, a not-for-profit organization located in Indianapolis, Indiana, _____ percent (%) of the rest, residue, and remainder of my estate as an unrestricted gift to be used at the discretion of the Board of Directors of the National FFA Foundation for the general purposes of the National FFA Foundation, located in Indianapolis, Indiana.

Please visit our new Web site:

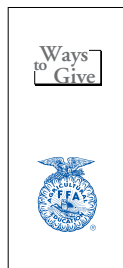


www.ffa.plannedgifts.org to learn more!

We Are Here to Help

Our treatment of planned gifts in this issue of *Forever Blue* has purposely been brief. There are numerous ways to tailor your own planned gift program, and we would be delighted to discuss your plan with you. We would be glad to provide you with a specific illustration of the tax and financial implications for any of the gift ideas mentioned above.

For more information, please return the enclosed reply card for a copy of our latest booklet, *Ways to Give*; or call Bobbie Donahue at (317) 802-4297 for help with your gift-planning questions.



The FFA Mission

FFA makes a positive difference in the lives of students by developing their potential for premier leadership, personal growth, and career success through agricultural education.



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You should consult your attorney about the applicability to your own situation of the legal principles contained herein.