



# FOREVER BLUE.<sup>SM</sup>

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

THE GIFT-PLANNING NEWSLETTER OF THE NATIONAL FFA FOUNDATION

FALL 2008

## We Have Some Good News For You

**The Tax-Free IRA Charitable Rollover Is Back!** The special opportunity that expired at the end of 2007 has been extended to 12/31/09.

Under this new extension legislation, such gifts can:

1. Count toward your required minimum distributions and
2. Be excluded from your gross income: a tax-free rollover.

To qualify for benefits under the extension:

- You must be 70 ½ or older at the time of the gift
- Transfers must go directly from the IRA to the National FFA Foundation
- Your total IRA gift(s) cannot exceed \$100,000 per year
- Gift(s) must be outright

Please return the attached reply card for a copy of our information-packed handbook, *Creating Your Legacy in Troubled Financial Times: A Philanthropist's Guide to Federal Taxes in '08*, which explores through charts and examples the tax-saving strategies available to donors to charity; we also invite you to call our office at 317.802.4297 to let us know how we can help.

Sincerely,

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

## Create Your Own Good News in Troubled Financial Times

### 7 Charitable Year-End Strategies

In the newspaper, on television, on the Internet—stories about the challenges facing the American economy are everywhere.

We have been buffeted about on the waves of rising gasoline prices and falling returns on income-producing investments. We have been bounced through the crests and troughs of an up-and-down stock market. Most of us are ready for some good news.

In the midst of these economic challenges, charitably minded people have ample reason to take heart. While you are unable to drive down the cost of regular unleaded, there are strategies to brighten your own personal economic forecast—strategies that can even take advantage of some of the current economic challenges.

In essence, you can create your own good news—if you incorporate the right strategies into your year-end tax planning.

In this issue of *Forever Blue* we examine seven of the most powerful and most creative strategies that you can use before year-end.

### 1. Cut Your 2008 Tax Bill While Supporting FFA

A gift to FFA by December 31 will not only enable you to make an investment in our mission, it can also allow you to slash your federal tax obligation this year. If you itemize your deductions for federal tax purposes, the amount you save will depend on your marginal federal income-tax bracket.

*Example: Joe and Donna T expect to have taxable income of about \$250,000 in 2008, which puts them in the 33% federal tax bracket. They decide to make an unrestricted gift of \$20,000 to support our operating budget this year.*

**Result:** This gift saves Joe and Donna \$6,600 in federal income tax (\$20,000 x 33%). **Note:** They may be able to save state income tax as well.

2008 Federal Income-Tax Rate Schedule		
Rate	Taxable Income	
	Single Taxpayers	Married, Filing Jointly
10%	\$0 - 8,025	\$0 - 16,050
15%	\$8,026 - 32,550	\$16,051 - 65,100
25%	\$32,551 - 78,850	\$65,101 - 131,450
28%	\$78,851 - 164,550	\$131,451 - 200,300
33%	\$164,551 - 357,700	\$200,301 - 357,700
35%	\$357,701+	\$357,701+

## 2. Plan Your Charitable Gift to Do Double Duty—Give Appreciated Assets

In most cases, if you give appreciated assets that you have held for more than one year you can deduct the full fair-market value and avoid capital-gain tax.

**Example:** Karen B makes a gift to us of stock worth \$50,000 purchased seven years ago for \$12,000.

She is allowed a deduction for the stock's full \$50,000 value, which saves her \$16,500 in her 33% bracket. In addition, Karen avoids \$5,700 in capital-gain tax that she would have owed had she sold the stock. **Total savings:** \$22,200.

## 3. Make a Gift, Recoup Your Investment, and Save Taxes

In some cases it may be more convenient or beneficial to use a noncash asset to fund your gift, but you may not want to part with its entire value. One strategy to reach

your giving goal is simply to sell the asset to FFA at a bargain price.

**Example:** Frank J wants to make a gift of a parcel of undeveloped real estate worth \$300,000 to us. He sells the land to us for \$100,000 to recover his original investment.

**Results:** Frank can claim a charitable deduction for the difference between the full fair-market value of the land and the amount he receives in payment (\$300,000 - \$100,000). This \$200,000 deduction saves Frank \$70,000 in his 35% tax bracket.

Frank will have to report a capital gain of \$66,667 (one-third of the \$200,000 gain) and pay capital-gain tax of \$10,000. But he will avoid tax on the other two-thirds of his gain, saving \$20,000 in capital-gain tax.

There are special rules that apply to certain types of property. Be sure to check with your tax advisor as you plan your year-end giving.

## 4. Fund Future Gifts with Your "Deduction Chain"

Did you know that it is possible to use the tax savings from your initial gift as your source of funds for future gifts to FFA? You can actually avoid future out-of-pocket cost and increase your giving potential by 50% simply by "regifting" your tax savings.

For instance, if you make an initial \$100,000 contribution and

Chain Funding a Gift		
Year	Gift	Tax Savings
1	\$100,000	\$ 35,000
2	\$ 35,000	\$ 12,250
3	\$ 12,250	\$ 4,288
4	\$ 4,288	\$ 1,500
TOTAL GIFT		\$151,538

are in the 35% federal tax bracket, your gift can compound into more

than \$150,000 of benefit to FFA in just four years. How? Each year, you simply use the previous year's tax savings to fund the next year's gift.

## 5. Increase Your Cash Flow

With the current low interest rates on traditional investments, you may find that this is a perfect time to consider creative charitable planning strategies that allow you to make a gift, generate a charitable deduction, and receive payments based on the value of your contribution.

Collectively these are called life-income gifts. There are various options available to generate income for life; one of the most popular and versatile is the charitable gift annuity.

The amount of income from a gift annuity depends on the amount of the contribution and the age(s) of the beneficiary(ies).

Benefits of a \$100,000 Charitable Gift Annuity				
Beneficiary(ies) Age(s)	Rate	Annual Payment	Tax-Free Amount	Charitable Deduction
65	5.7%	\$ 5,700	\$3,289	\$34,546
70	6.1%	\$ 6,100	\$3,782	\$39,880
75	6.7%	\$ 6,700	\$4,449	\$44,840
80	7.6%	\$ 7,600	\$5,358	\$49,611
85	8.9%	\$ 8,900	\$6,755	\$54,085
90	10.5%	\$10,500	\$8,316	\$59,254
65-65	5.4%	\$ 5,400	\$3,056	\$23,897
70-70	5.6%	\$ 5,600	\$3,388	\$30,518
75-75	6.0%	\$ 6,000	\$3,888	\$36,246
80-80	6.6%	\$ 6,600	\$4,567	\$42,018
85-85	7.4%	\$ 7,400	\$5,461	\$48,135
90-90	8.7%	\$ 8,700	\$6,716	\$52,997

\* Based on 4.2% IRS discount rate (announced monthly)

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# Indiana Business Owners Invest in FFA's "Youth of the Future."

Reflecting on his years with the FFA, Mark Timm calls the experience "unforgettable." He recalls serving as an officer during his first year in the FFA—known to all members as "Greenhand"—for the South Putnam, Indiana, High School FFA chapter. He also remembers his time serving as National FFA President. Mark says that through the years FFA gave him the exposure and experience that he wouldn't have gotten anywhere else. Those leadership skills would serve him well when he went on to his next professional challenge—that of a small business owner with his wife Angela.

As the *Indianapolis Star* would later describe it, "1996 was a humble beginning for Cottage Garden." The Timms started their company in a two-car garage with a seemingly simple approach based on their philosophy of fair price, free fixture, excellent customer service, and guaranteed sale. More than a decade later, Cottage Garden's real estate approach to selling hasn't changed—many of its products have a timeless "retail life." In fact, products released in 1996 are still being replenished today. Presently,



Mark and Angela Timm

Cottage Garden is the leading manufacturer of sentiment-based music boxes and musical frames, in North America and abroad. In recognition of the Timms's success, they were honored in April 2008 in Washington, D.C., as the first runner-up of the National Small Business Person of the Year award.

When Mark and Angela decided to make their wills, they wanted to be sure that their family would

be taken care of. They also wanted to provide for their charitable interests, including the National FFA Foundation. The values shared by the Timm family are reflected in the FFA motto: "Learning to do. Doing to learn. Earning to live. Living to serve."

By including a bequest to the National FFA Foundation in their wills, the Timms don't feel like they are paying back. For them it is more like paying forward. They want to invest in the youth of the future. As Mark puts it, "I believe that we are all born with certain talents and abilities. What a shame if one lives his whole life before really discovering these. I was so fortunate to get involved with the FFA. It not only unlocked my talents at a very early point in my life, but it also opened up the world to me and showed me there were few limits to my potential to succeed in life. Upon my departure from this wonderful world, I wish to believe that the National FFA is not only committed to but has the resources to continue making a difference in the lives of young people—the way it did for one Greenhand from Fillmore, Indiana."

## 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.

## 6. Trade Your “Income Interest” for a Major Deduction

If you have already funded a life-income gift with us and find you no longer need the additional income, this may be an opportune time to give up that life-income interest and generate another charitable deduction.

**Reason:** The value of an income interest goes up when the IRS discount rate is down.

Relinquishing an Annuity		
Beneficiary's Current Age	Annual Annuity	Charitable Deduction
75	\$7,000	\$57,630
80	\$7,600	\$50,389
85	\$8,400	\$43,336

**Example:** Several years ago when the IRS discount rate was 6.2%, Robert took out a \$100,000 gift annuity with the National FFA Foundation and we promised to pay him \$7,000 annually for his lifetime. He also received a charitable deduction of \$36,519 and saved \$14,279 in taxes at that time.

Robert is now 75 years old and no longer needs the annuity income we are paying him. He wishes to give up his right to receive the payments and inquires about the tax consequences.

At an IRS discount rate of 4.2%, the present value of his right to receive \$7,000 a year from us is \$57,630. Had the discount rate stayed at 6.2%, the value would have been \$51,187—substantially less.

By giving up the annuity income, Robert will be entitled to an equivalent charitable deduction of \$57,630 that will save him \$20,171 in taxes this year. This means Robert is able to make a \$100,000 gift to us at a cost of only \$16,550 (\$100,000 less [\$34,450 total tax savings + \$49,000 income over the last seven years] = \$16,550). And we will be able to use the released funds immediately.

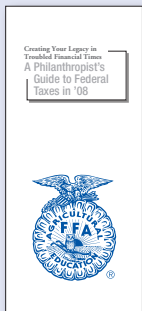
## 7. Make a Significant Gift Without Leaving Home

A special tax-law provision gives you a significant deduction for making a gift of your home to the National FFA Foundation—yet allows you to continue living there for the rest of your life. You keep what is known as a “life estate” and transfer what is known as the “remainder interest” to us.

This is a potent planning strategy at any time; but, as with a gift of an income interest, it is even more valuable when the IRS discount rate is low.

**Example:** Dave and Sharon, both 72, are entitled to a deduction for 2008 of more than \$214,000 for a gift of a remainder interest in their \$500,000 home at the IRS 4.2% discount rate. In their 35% tax bracket, this saves them more than \$75,000; and they are able to remain in their home for the rest of their lives.

### Make Your Moves Now



The remaining days of 2008 may pass quickly. We encourage you to get started on the year-end strategies that best fit your situation right away.

To assist you in your planning, we would like to send you a complimentary copy of our handbook, *Creating Your Legacy in Troubled Financial Times: A Philanthropist's Guide to*

*Federal Taxes in '08*. To get your copy, just return the enclosed card 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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