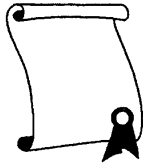




FOUR EASY WAYS TO MAKE A PLANNED GIFT

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I. A Bequest

It is estimated that only 30% of the people in the United States have a valid will. In fact, everyone has a “will” in the sense that if you have not personally created one, the state in which you live will determine how your estate is divided through the controlling laws in that state. Wouldn’t you rather control the distribution of your estate yourself?

One of the easiest ways to provide a planned gift to NAFSA: Association of International Educators is through a bequest in your will. If you are writing a new will, a provision for a charitable bequest can be included. If you already have a will and do not want to re-draft it, a simple codicil can be written that provides a bequest to NAFSA.

When including NAFSA, it is important to use the correct and complete name, “NAFSA: Association of International Educators.” Any competent attorney can provide the correct wording for your bequest. Your bequest may be for a specific dollar amount, e.g. \$10,000, or it may be a percentage of your estate. You may also make NAFSA the beneficiary of the *residuum* of your estate, which means after all specific bequests are paid by your executor, the remainder of the estate will be given to NAFSA.

If you have a taxable estate, your estate will be able to claim a charitable deduction for the value of the charitable gift.

II. Stock

The tremendous growth in the value of stock over the past 20 or more years has made appreciated stock a very popular charitable gift for donors. If a donor gives stock directly to NAFSA, he/she can avoid the capital gains tax that would have to be paid if the stock was sold by the donor. In addition, the donor may be able to claim a charitable tax deduction for the full market value of the stock.

For example, if a donor purchased 1000 shares of stock at \$10 per share (\$10,000) and later sells the stock when it is valued at \$30 per share (\$30,000), he will probably be subject to the 20% capital gains tax on the appreciated value of \$20,000. If, however, the donor gives the stock directly to NAFSA, the organization can sell the stock and does not have to pay capital gains tax on the sale, thus receiving the entire \$30,000.

The donor may be able to take a charitable tax deduction of \$30,000 (subject to IRS deduction limitations) in the year of the sale. If the donor cannot deduct the full amount of the gift in the year of the sale, he/she may carry over any excess deduction for up to five more years until the full deduction is used.

III. An Insurance Policy

You may name NAFSA: Association of International Educators as the beneficiary, or one of the beneficiaries, of an insurance policy. The donor simply requests a change of beneficiary form from the insurance company, completes the form and returns it to the company. This type of gift passes outside the probate process and is very easy to accomplish.

Many people purchase whole life insurance when their families are young in order to protect against the untimely death of the primary income earner. If you have a paid-up insurance policy that is no longer needed for the original purpose of family protection, you may use the policy to provide a substantial charitable gift to NAFSA by naming NAFSA as the owner and the beneficiary of the policy. This technique has the added benefit of transferring the value of the policy out of your estate and also allows you to take a charitable tax deduction for the value of the policy in the year of the transfer. You will need to request change of ownership and change of beneficiary forms from your insurance company. The insurance company will determine the current value of the policy so that a tax deduction can be claimed. If, based on IRS limitations, the entire charitable deduction cannot be used in the gift year, the remainder can be carried over for up to 5 additional years.

A third way to give using an insurance policy is to purchase a new whole life policy, perhaps with a limited number of annual payments that will provide a paid-up policy in 7 - 10 years. If NAFSA is made the owner and beneficiary of this policy, you may deduct the premium payments when made, which provides you with a charitable deduction each year until the policy is paid up.

IV. Retirement Plans

For many people, the savings they have accumulated in retirement plans, such as 401(k), 403(b), IRAs, and other qualified pension plans represent a major portion of their assets. It is an unfortunate fact that under our current tax laws these assets are taxed less favorably than other assets at death.

Assets held in retirement accounts and passed on to heirs are hit not only with estate taxes (if the estate is greater than \$1,000,000 currently), but they are also taxed to the heirs as ordinary income when distributed. This can result in more money going to pay taxes than goes to family and heirs. That is probably not what you would prefer to happen. As the law stands now, one of the best ways to shelter these assets is through a charitable gift arrangement, using more tax-advantaged assets to give to heirs.

You may include NAFSA as a beneficiary of your retirement plan, either for a specific amount or a percentage of the total assets. The new IRA distribution rules allow this to be done easily and without negatively affecting the non-charitable beneficiaries.

Another way to use retirement accounts for charitable gifts is to take the required annual distribution and give it to NAFSA if you do not need the extra income, or by using the money to fund a planned gift for which you will receive a charitable tax deduction. You also can establish a testamentary planned gift in which your retirement assets first provide for your loved ones and then are ultimately given to NAFSA.

The best plan for you will depend on the type of retirement account(s) you have and your individual family situation. Talk to your attorney or financial advisor about the best plan for you.

Summary

Any gift plan requires careful consideration and should always be discussed with one's professional advisers. It must be evaluated giving consideration to the donor's complete estate plan and must especially be a reflection of the donor's charitable intent.

There are many other ways to make a planned gift, which are not included here.
For more information about other gift arrangements, contact:

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