THE Future PLANNER

Office of Gift Planning
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Giving Offers Many Rewards

Each year, millions of Americans contribute time and other resources in support of charitable organizations. Charitable giving is a varied and rewarding activity, and one that can be tailored to meet a variety of goals.

There are many benefits from such gifts—benefits for both donors and charitable recipients. For example, choosing the right property to give at the right time can make it possible to give more at the same after-tax cost.

Charitable gifts can also work in harmony with other personal priorities, and need not compete with long-range estate and financial planning objectives.

Giving effectively

To maximize the effectiveness of your charitable gifts, you may wish to consider one of several ways to give while still achieving other important goals. Some of the most effective ways to make gifts are:

- Gifts by cash and check
- Gifts of securities
- Gifts of real estate and other property
- Gifts that feature income
- Gifts from wills, trusts, and other long-range plans
- Gifts from retirement plans and life insurance or their proceeds

In this newsletter we provide an overview of several ways to make charitable gifts. We hope you will find that thoughtfully planning your gifts can result in unexpected advantages for you and others you wish to benefit.

Read on for ideas you might find helpful as you consider your gift, estate, and financial plans this year. For additional information, contact us. We will be pleased to assist you and your advisors in confidence and with no obligation.

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Gift Planning Pointers

As you consider your charitable gift plans for 2005, keep in mind that:

- **Charitable gifts can serve to eliminate tax on a portion of your income**
- **A charitable gift can result in tax savings for up to six tax years.**
- **Gifts of securities and many other types of property that have increased in value can result in bypassing capital gains tax.**
- **Special benefits can come from gifts of retirement plan assets.**

Helpful Tax Tips

GIVING THE RIGHT PROPERTY AT THE RIGHT TIME

Take losses—give cash

If you have investments that have decreased in value since you acquired them, consider selling them and giving the cash proceeds. You may be able to deduct the amount of your loss as well as the amount donated, resulting in deductions that total more than the current value of the investment.

Give out of the market

Gifts of appreciated securities that you believe may decline in value in the future can allow you to lock in today's value for income tax purposes and avoid losses from future market declines.

Timing your gifts

To ensure that your gifts are deductible from this year's tax return, it is important that you complete them by December 31. If you expect to be in a lower tax bracket next year, your gifts may never save you more.

A variety of factors may be involved in your decisions about charitable giving. They can include the need to assure continued financial security, concern about the well-being of loved ones, prevailing economic conditions, and the desire to make gifts with maximum impact.

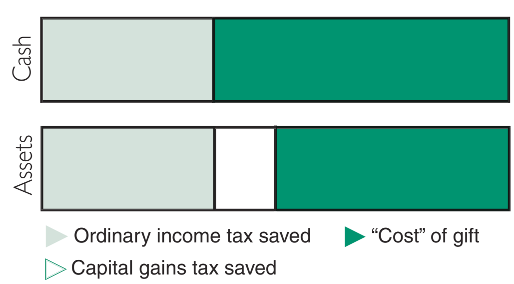
The following information may be especially helpful as you consider how to make your gifts most effectively this year.

Extra incentives for property gifts

Making gifts in the form of stocks, bonds, certain mutual funds, and certain other property that has risen in value since you have owned it can make good sense from both philanthropic and financial planning standpoints. If you have owned such property for more than one year, you are generally entitled to an income tax deduction based on the current value of the property, not just the amount you paid for it.

Tax deductions as a result of gifts of appreciated property can serve to eliminate tax on up to 30% of your adjusted gross income (AGI). (Gifts of cash can be deductible in amounts up to 50% of your AGI.)

Maximum Savings per Dollar Given in Cash vs. Appreciated Assets



Any unused deductions may serve to lower taxes in up to five additional tax years.

When you make gifts of appreciated property, you also bypass capital gains tax that would be due if you sold the property, adding to the tax savings you enjoy from making your gifts in this manner.

Check your tax rate

You may find yourself in a higher bracket this year by virtue of an increase in income or because of fewer deductions.

If your tax rate is higher this year than last, all deductions you claim as an itemizing taxpayer will be worth more.

Review retirement plans

Do you have retirement accounts that require you to take withdrawals this year? If you do not need the withdrawal amounts, you may find it wise to use a portion of the amount withdrawn to fund charitable commitments.

Although you report a withdrawal as taxable income, you are allowed an offsetting charitable deduction for your gifts. This can result in a "wash" for tax purposes and also assure that no federal income and/or estate taxes must be paid by your beneficiaries in the future on the amounts donated.

For these reasons, many have found their retirement accounts can represent a convenient "pocket" from which to make charitable gifts.

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Give Now…and Later

Over the past few years, the amount one can leave at death to loved ones has been gradually increasing as part of a plan to eventually eliminate federal taxes due on one's estate at death. The amount that can be left to loved ones free of tax is $1.5 million for 2005.

If you believe your estate will pass to others tax free, or if you are not sure whether estate taxes will apply in your situation, consider arranging for a future charitable gift that will result in immediate income and or capital gains tax savings. This way, you can enjoy tax savings and other financial benefits in the near term while still providing for a significant charitable gift as part of your long-range plans.

Known as "life income" gifts, these plans offer one or more of the following incentives:

- Generous fixed or variable income payments for life or another time period you determine
- Income tax savings based on the full value of assets
- Diversification of investments while reducing or eliminating capital gains tax
- Professional asset management
- Reduction of probate expenses

We will be pleased to provide more information to you and your advisors about these charitable giving opportunities.

Frequently Asked Questions

Q. Why should I arrange my gifts as early as possible?
A. Even though you have until December 31 to complete your gifts for tax purposes, it's best to begin discussing your plans with advisors early to assure enough time to decide the best ways to give and to complete transfers in a timely manner without undue haste.

Q. What if I make more charitable gifts than I can claim on my income tax this year?
A. If you make more gifts than you can claim in any one year (more than 50% of your adjusted gross income (AGI) for cash gifts, and 30% of AGI for gifts of appreciated property), the excess deduction can be carried over into the next five years.

Q. Are there special considerations if I believe I will be in a different income tax bracket next year?
A. If your tax bracket will be higher this year than in 2006, it is in your best interest—from a tax planning standpoint—to make your gifts before the end of this year. Remember, the higher your tax rate, the greater your tax savings from charitable gifts.

Q. What if I don't have enough gifts to itemize?
A. You may be able to itemize in some years by "bunching" more than one year's charitable gifts into one tax year. This may also make it possible to obtain tax benefits from deducting other expenses, such as property taxes on your home.

Remember Life Insurance and Retirement Plans

Many individuals have substantial life insurance or retirement plan balances. In some cases, these assets total more than is needed for a comfortable retirement, and could eventually result in heavy estate taxes.

Consider using these assets to make charitable gifts after first providing for loved ones using assets that would be taxed more favorably.

A simple change of beneficiary form may be all that is required to complete such a gift.

It's Easy to Give Securities

Taking the time to carefully plan your charitable gifts can allow you to give more while maximizing benefits.

If you would like to make a gift in the form of stock or other securities, such gifts can be accomplished with a minimum of effort. What follows are some basic pointers. We will be pleased to work with you and your financial services provider if you would like to make a gift in this way.

If you hold the stock certificate:

- Mail the unendorsed stock certificate to the charitable recipient in one envelope.
- In another envelope, mail the signed stock power form to the same recipient.
- Your gift is complete on the date of postmark of the later envelope.

If you do not have the stock certificate, or if you are giving mutual funds:

- Contact your financial services provider to arrange the gift transfer.
- For tax purposes, the gift is complete at the time of the actual transfer.

Points to keep in mind:

- Act as soon as possible—transfers can take time.
- Let your financial services provider know that the timing of your gift is important for tax purposes.
- Make sure your financial services advisor transfers the assets instead of selling them and transferring the proceeds, potentially triggering a capital gains tax liability.

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Consider This Simple and Secure Way to Give

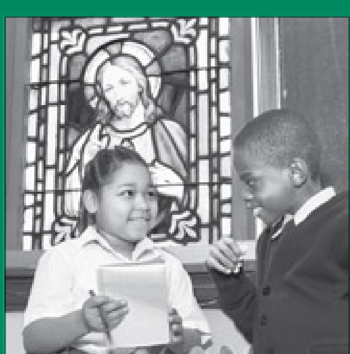
Archdiocese Gift Annuities allow you to support and sustain the good works that mean the most to you: your local parish, Catholic Charities, the Church, the Inner-City Scholarship Fund, and more. In turn, your gift gives back to you in the most simple and secure way.

How do the Archdiocese Gift Annuities work?

One example is of the couple that chooses to transfer $50,000 of a low-yielding stock into a gift to their local parish—ensuring a simple and secure plan for their generosity. This annuity earns a fixed income of 6% per year (that's $3,000 before taxes) and a charitable deduction of $15,459, which is an effective rate of return of approximately 9%.*

Find the simple and secure giving plan that is right for you. Please contact Lorraine Smith, Office of Gift Planning, at Lorraine.Smith@archny.org or call her at (212) 371-1000, ext. 3319, and she will provide you with a plan that is right for you, at no cost or obligation.

**Effective rates of returns vary depending upon your age, income brackets, and other factors.*



Credit: Anne van der Does