

Legacy Living Newsletter

Planned Giving
AG Financial Solutions

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Year-End Tax Checkup Your Plan and Checklist

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Take the time to sit down and analyze your financial situation. Then implement a plan to make sure you're on target with your stewardship goals.

With December 31 fast approaching, now is the time to think about year-end tax planning options. For many, year-end tax planning is about as much fun as going to the doctor for an annual physical. But just as a yearly checkup is important for monitoring health, an annual financial assessment is an ideal way to check up on financial health and make adjustments before the deadline.

Here are several options to consider.

Charitable gifts. Timing is especially important when considering a charitable gift. A cash gift may be completed quickly right up to year-end. Gifts of appreciated stock and real estate usually take more time to complete properly, but are well worth considering because of their tremendous tax benefits. If interested, you will want to begin the process of making these types of gifts now.

Family gifts. If circumstances allow you to start transferring some of your wealth to your children and grandchildren, consider making annual exemption gifts. You are entitled to give \$13,000 per person to any number of individuals free from gift tax.

Adjust capital gains and losses. The end of the year may be the perfect time to unload some of those under-performing investments in your portfolio. You may reduce or eliminate any tax liability by matching your gains with your losses. You will generally obtain the best tax result by generating short-term capital losses to offset any short-term capital gains you received throughout the year.

Charitable IRA distribution. In 2011, it is allowable to make a charitable distribution up to \$100,000 from your IRA to a qualified 501(c)(3) charity. This option may satisfy your required minimum distribution (RMD) amount and realize a tax savings.

Remember, to receive your full tax benefits for 2011, you must complete the gift by midnight, December 31, 2011. If you are interested in making a charitable gift or exploring your options, please contact one of our consultants today.

Year-End Tax Checklist

1. Make a donation.
2. Gift to family members to meet yearly gift exclusion.
3. Adjust for capital gains and losses within your portfolio.
4. If age 70½ or older, make sure you have met your required minimum distribution.
5. Review estate planning documents.

Reaching your goals

What will be your legacy? Planned giving helps you make wise stewardship and financial decisions to manage your wealth. The marriage of proper financial and stewardship planning allows you to reach your goals for yourself, family, and ministry.

\$285 million has been dispersed to ministries and churches through the Assemblies of God Foundation and the wise stewardship of donors.

Retirement and real estate

Ways your investment can continue to pay off

Commercial and rental real estate investments are a great source of wealth and income for millions of Americans. However, at retirement, many investors no longer want to be landlords, but are unsure of their options.

When and why to transition out. If you are currently earning income from rental property, why would you transition out? Maintaining and managing a property may become too costly, inefficient, or just too much of a headache for many investors—especially after retirement.

Several other factors can also contribute to the dilemma of investment real estate. These investments may have significant unrealized appreciation due to owning the property for a period of time, property improvements, and/or 1031 exchanges. It can be difficult to determine the right solution. Adding to the complexity, your other income-producing investments probably offer a much lower payout than the real estate property. If you choose to transition out of real estate at retirement, a Charitable Remainder Trust (CRT) can be an ideal solution with strong benefits.

Here's how it works. By establishing a CRT, you may create an immediate charitable tax deduction and possibly avoid upfront capital gains when the property sells. Along with those benefits, the CRT provides a fixed or annually adjustable lifetime income.

What's the process? The first step is to place the property into a CRT with AG Financial Solutions benefiting the ministry of your choice. Once you have set up the CRT, you will continue to manage the property and receive “pass through” income until the property sells. After the property sells, you will receive a consistent, lifetime income of at least five percent of the trust value.

Every situation is unique. If you would like a personal consultation about how a CRT can help meet your stewardship goals and provide a hassle-free income from your real estate, please contact one of our consultants today.

Charitable Remainder Trust

Example: Joe and Linda Taylor, both age 66, were looking to sell their investment real estate. Over the years, their property had increased substantially in value. Now with retirement on the horizon, the Taylors were looking for a way to sell their highly-appreciated property, generate income for their future, and avoid paying high capital gains tax.

With a Charitable Remainder Trust, Joe and Linda were able to bypass capital gains, increase their income, and receive a charitable tax deduction while blessing the ministry of their choice.



Donor places asset in CRT with possibility of a charitable deduction.

\$250,000
Asset value



Asset is sold, possibly avoiding upfront payment of capital gains.

\$250,000
Asset value



Donor establishes a desired lifetime income of at least 5% annually. Trust could also potentially pay income to family for 20 years.

\$552,061
Lifetime income benefit.
(Annual payments of \$12,500 for lifetime)



Ministry receives remaining amount when the end of the CRT term is reached.

\$237,303
Approximate gift to ministry

*This example is based on a hypothetical fact scenario and is intended for illustration purposes only. The terms, tax benefits, expected income and expected ministry benefit are dependent on several variables that are different in each situation, including age(s) of the donor(s), tax bracket of the donor(s), term of the trust, type of asset(s) used to fund the trust, type of Charitable Remainder Trust used, and investment of the trust assets. Consult your tax advisor for more information that is specific to your situation.

Consolidating accounts

Less is more

Americans switch jobs more than ever before. Gone are the days when a person stayed with one company for an entire working career. With this trend of transferring jobs, an investor's financial portfolio becomes more complicated. And one of the more critical decisions is what to do with a vested retirement plan.

When deciding what to do with a previous 401(k) or other retirement accounts, some people try to avoid fees by leaving the accounts with their previous employer.

They may feel this is a way to keep funds diversified among various institutions. Many financial advisors disagree with this strategy. Although some employees might believe that having all of their eggs in one basket is not wise, it's quite the contrary. Consolidating actually simplifies your finances and lets you manage your accounts in a more coordinated way.

Consolidating various accounts into one has further benefits. With multiple accounts scattered among different financial institutions, you're potentially setting yourself up for higher fees, duplicate investments, and the frustration of managing separate accounts. Consolidating allows you to enjoy lower fees either by having fewer accounts or simply having all of your accounts with one advisor.

AG Financial Solutions can help you answer these questions—and help you develop a course of action for consolidating your retirement plans. Contact one of our consultants today.

Action Plan

If you are using more than one financial institution or have more than one account, it may be time to simplify.

1. Gather your financial information to assess your current situation.
2. Evaluate what you are paying and any financial risk involved.
3. Determine whether having various accounts is working for or against your financial plans.
4. Evaluate your financial advisor. It is important to have a relationship with a knowledgeable and trusted advisor so there is a mutual understanding of your needs and goals.

New tax laws offer benefits

IRA gifting in 2011

Although IRAs are a great way to invest your cash, many people do not consider the challenges of managing these assets. Every new tax year can bring new laws. With the recent changes regarding distributions, up-to-date IRA knowledge is essential. Keeping current with the laws will equip you in your stewardship as you strive to make wise investment decisions.

Recent law changes for charitable giving. Beginning in 2011, nontaxable charitable distributions can be made to a qualified charity. Not only does this alleviate tax withholdings, it also meets the required minimum distribution (RMD). Charitable distributions made through your IRA allow for substantial giving, as you are allowed to distribute up to \$100,000.

Charitable distributions can capitalize on new laws. Annual giving from your IRA helps free up cash flow from other income sources. Any charitable distributions from your IRA may be tax-free without being considered income.

You may also want to consider moving some of your IRA funds to an endowment for a ministry you care about. Placing your IRA funds into an endowment allows your favorite ministry to have perpetual use of the funds while still allowing you to receive all the same benefits.

Now is the time to start making charitable distributions from your IRA. If you would like more information on how to begin the process, please contact one of our consultants today.

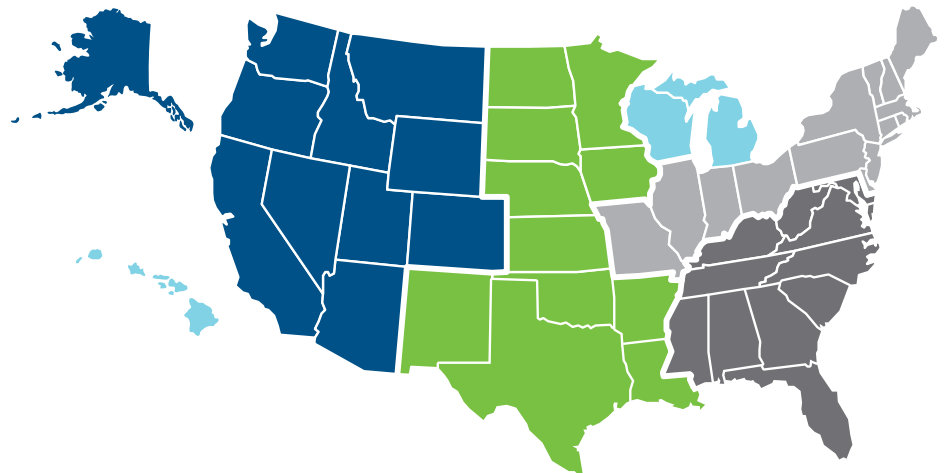
To receive confidential, objective advice, please call your planned giving consultant or visit agfinancial.org for more information.



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Planned Giving
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A heart for giving.
A mind for smart planning.

Yes, you can do it all. Whether you're approaching retirement or already have a giving plan in place, it's crucial to stay informed about changes in tax and estate laws. Plus, new options are continually arising. This biannual newsletter delivers helpful information and solutions for your giving and retirement plans. **Contact our team of experts today to get started.**



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