

20 Timely Tips for Retirees



This booklet is written for people who are retired or who are about to retire. It illustrates ideas for making the most of your retirement years and maintaining, even improving, your financial security. Wise planning can permit retired people to enjoy all that life has to offer and then to pass on to future generations both their

resources and ideals for living. We will also provide tips on some special opportunities through which your retirement planning may blend with the planning, hopes and goals we have for our future – in a way that will make your retirement years even more productive and meaningful.

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#1: INVESTING DURING RETIREMENT

Retirees are on the horns of a dilemma when it comes to investing: They need to guard the safety of their nest eggs, but at the same time not invest so conservatively that they fall victim to inflation. The objective should be to ensure that your financial resources last as long as you do – and that you live as well at 85 as you did at 65.



Inflation has moderated in recent years, but even low rates eventually can leave some retirees worrying daily about how to maintain their standard of living. Three strategies may help:

- Plan to spend savings, not just interest.
- Find hidden sources of income.
- Choose investments that offer growth.

How much savings is enough to carry a person through retirement? How can you best budget savings to last the longest?

Years Until Exhaustion of \$100,000 in Retirement Savings								
Monthly Withdrawal	Interest Rate on Savings							
	3%	4%	5%	6%	7%	8%	9%	10%
\$ 400	32	43	*	*	*	*	*	*
500	23	27	34	62	*	*	*	*
600	18	20	23	29	*	*	*	*
700	14	16	18	20	25	*	*	*
800	12	13	14	16	18	22	30	*
900	10	11	12	13	14	16	19	26
1,000	9	10	10	11	12	13	15	17
1,200	7	8	8	9	9	10	10	11
1,400	6	6	7	7	7	8	9	9
1,600	5	5	6	6	6	6	7	7

The asterisk shows withdrawals that can be made without time limitation.

In determining the role savings play in providing retirement income, you must also consider your income from Social Security, pensions, rentals and investments.





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How long your savings will last depends, obviously, on how fast you withdraw the money and interest you earn on the savings. The table on the previous page gives you an idea how long \$100,000 will last, given different interest rates.¹

Suppose Miss M, age 70, has \$100,000 of savings in a “Roth” individual retirement account (IRA). The table shows that, if the IRA is earning 4%, she could make withdrawals of \$500 a month (\$6,000 a year) for 27 years, after which the fund would be exhausted.

Actor John Barrymore is credited with the quotation: “A man and his money should run out at the same time.” Here is a life expectancy table² that may help get the timing right:

Tables are furnished by the Social Security Administration.

In the case of Miss M, the table shows a life expectancy of 16.7 years, so 27 years of withdrawals might seem safe . . . unless all her relatives lived to be 100.

Age	Male	Female	Age	Male	Female	Age	Male	Female
41	40.2	43.6	56	26.3	29.0	71	14.1	15.9
42	39.2	42.6	57	25.4	28.1	72	13.4	15.1
43	38.3	41.6	58	24.6	27.1	73	12.7	14.4
44	37.3	40.6	59	23.7	26.2	74	12.1	13.7
45	36.3	39.6	60	22.9	25.3	75	11.4	12.9
46	35.4	38.6	61	22.0	24.4	76	10.8	12.2
47	34.4	37.6	62	21.2	23.5	77	10.1	11.6
48	33.5	36.7	63	20.4	22.6	78	9.5	10.9
49	32.5	35.7	64	19.6	21.7	79	9.0	10.3
50	31.6	34.7	65	18.8	20.9	80	8.4	9.6
51	30.7	33.8	66	18.0	20.0	81	7.8	9.0
52	29.8	32.8	67	17.2	19.2	82	7.3	8.4
53	28.9	31.9	68	16.4	18.3	83	6.8	7.8
54	28.1	30.9	69	15.6	17.5	84	6.3	7.3
55	27.2	30.0	70	14.9	16.7	85	5.9	6.8

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#2: HIDDEN SOURCES OF RETIREMENT INCOME

There are several ways to augment retirement income that may not have occurred to you.

- Life insurance can often be converted into retirement income as a paid-up annuity. Or you can cash the policy and reinvest the proceeds to provide retirement income. It's likely the original purpose you intended the policy to serve – family protection – is obsolete by age 65. It's probably wise to keep sufficient insurance to cover funeral and final medical expenses.

A charitable gift of life insurance is something many thoughtful people consider at retirement. An old policy that provided security when your family was young can now provide security for our future. An immediate income tax deduction is available for the fair market value of the policy (or your cost basis, whichever is less); any premiums you pay in later years are also deductible.³ Feel free to consult our development staff for details on how to make a gift of life insurance.

- Your house can create additional revenue. If you move to a retirement community you can sell your house and exclude \$500,000 (\$250,000 for single taxpayers) of

capital gains from tax. (You must have owned and occupied the house for two of the five years prior to sale).⁴

- Post-retirement employment won't reduce your Social Security benefits if you are age 66 or older; some reductions occur from ages 62 through 66 – check with your Social Security office to see how you would be affected.

#3: REASSESS YOUR INVESTMENT PORTFOLIO

Recent volatility in the stock market has led many retirees to put savings into the most conservative investments they can find (certificates of deposits and government bonds, for example).

Many financial experts suggest, however, that retirees, or those who are about to retire, should still keep a portion of their investments in stocks and mutual funds, pointing out that a portfolio made up of 100% CDs and bonds will be eroded by inflation over time. The exact percentage you keep in “equities” will depend on your life expectancy and tolerance for risk. Older, conservative investors might maintain 10% to 25% in stocks – more for younger retirees, or those with higher risk tolerance.

Your investments in the market should focus on stocks and mutual funds with

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relatively low risk: blue chip common stocks, preferred stocks, balanced funds and equity-income funds. Retirees in high income tax brackets might consider municipal bond funds as part of their investment mix.

#4: CHOICES ON ANNUITIES

Annuities offer various options and advantages: fixed or variable payments, immediate starting dates or deferred payment, one-life or two-life arrangements, refunding provisions and others. Besides payments for life, an annuity frees you from investment and management responsibilities – and because part of each annuity payment is a return of your own principal, annuity payments are partly free of income tax. Be sure to check the fees and costs involved in purchasing annuities and check the ratings of compa-

nies that issue annuities (Best's Rating Service evaluates the soundness of companies that issue annuities). Note: Charitable gift plans are available that can provide you with lifetime annuity payments plus excellent tax advantages. Contact our office for details.

#5: SAVINGS BONDS AS A RESOURCE

Everyone seems to have some U.S. saving bonds tucked away in a bureau drawer or safe deposit box. Bonds are a savings tool used by millions of Americans – in part because of favorable tax advantages. Bonds can also be a source of income during your retirement. Series EE savings bonds are bought at a discount and double in value by maturity. Series I bonds pay interest that is indexed for inflation. Bonds are always free of state and local income taxes and, in general, the interest accumulates free of federal income tax, as well. Taxation occurs only when the bonds are cashed, reissued to another person or reach final maturity. Alternatively, bond owners can report their bond interest annually as it is earned.⁵

Bonds may be subject to heavy federal income taxes and state and federal estate taxes in a person's estate. Heirs will owe income tax whenever they cash savings bonds, and estate taxes may take an even larger slice, depending on the size of your estate. For example, heirs who

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receive \$100,000 in savings bonds from your estate may have to pay income tax on \$50,000 or more of built-up interest. Furthermore, the full \$100,000 could be subject to federal estate tax, leaving them with only a fraction of the bonds' value.⁶

You can erase all taxes on savings bonds at death by changing your will or revocable living trust to *specifically* leave bonds for our benefit. Savings bonds that we receive pass 100% free of estate taxes and, as a tax-exempt organization, we would owe absolutely no income taxes on the bonds.⁷ In other words, every dollar could be used for our programs, in contrast to the shrunken after-tax amount that would be available to other beneficiaries. These tax benefits may allow you to do *more* for our future than you might have thought possible. It is not possible, under Treasury regulations, to name organizations as either joint owners or death beneficiaries of savings bonds.⁸ But bonds can be left to us in a will or through a revocable living trust, so long as the bonds do not have a surviving joint owner or death beneficiary. Note: For tax reasons, you must specify that you are leaving the bonds to us, rather than bequeath cash and expect your executor to satisfy the bequest with savings bonds.

#6: NEW LIFE FOR OLD BONDS

Sarah was shocked to discover that

some of her savings bonds, purchased in the 1950s, '60s and '70s, had stopped earning interest. She was delighted, however, to learn that she could bring new life to those bonds as a thoughtful gift for our benefit. Savings bonds stop earning interest after 30 years (40 years for Series E bonds purchased before December 1965). You generally should redeem (cash in) these "matured" bonds and reinvest the proceeds – although you will owe tax on the buildup of interest.

Many of our friends would prefer to make gifts of these matured bonds to assist our endeavors, but Treasury regulations limit lifetime bond transfers to individuals and revocable living trusts. However, you can contribute the cash proceeds from matured bonds and reduce your taxes, too – if you "itemize" your tax deductions.

One way to offset tax liability when you cash savings bonds – and create a lifetime income – is to enter into a "life income" gift arrangement that will provide future support for our programs, lifetime payments to you or another, plus a charitable deduction that may eliminate all taxes from cashing your bonds. You may arrange for variable payment or choose a fixed annuity. In either case, you qualify for important tax savings. Call us for details.

#7: CONCERNS AS YOU GROW OLDER

Growing older certainly beats the alter-

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native! But aging also brings a number of financial and practical concerns that need be dealt with by retirees. In many cases, careful planning will make it easier for you and the members of your family to meet these challenges.

#8: COSTS OF ILLNESS AND NURSING HOMES

The staggering cost of catastrophic illness and long-term nursing home care ranks as one of the major concerns of aging Americans and their families. Most thoughtful people, upon reflection, would share the view: “I’m willing to pay what’s fair to cover the costs of major illness or nursing home care, but I don’t think it should mean impoverishing myself or disinheriting my family from everything I’ve worked so hard for all my life.”

What can a person do? It’s important to formulate plans as early as possible. Health insurance or nursing home insurance is one option, but you should scrupulously investigate the companies and policies before buying. Recent tax law changes encourage the purchase of long-term health care insurance by making premiums deductible as medical expenses up to certain maximum amounts, based on a person’s age (adjusted annually for inflation).

#9: PLANNING FOR DISABILITY

Who would take over the management of your financial affairs if, for any reason,

you become unable to handle them personally? Who would do your banking, pay bills or manage investments? Several options generally are available:

- **Power of Attorney.** In most areas you can establish a “durable” power of attorney, naming a friend or relative to act for you on a broad or narrow range of activities. Standard forms are generally available, although you may need an attorney’s assistance for complex situations. In any event, check with your advisers whether your power of attorney indeed will continue in effect if you are disabled (a “durable” power).
- **Trusteeship.** You can set up a revocable living trust and name a trustee (money manager) who will act on your behalf as to the assets placed in the trust. The trustee can provide valuable assistance in the event of disability. You could be the trustee at first and provide for a “stand-by” trustee in case you are disabled. A power of attorney sometimes is incorporated into trust arrangements, as well.
- **Guardianships.** Courts will appoint guardians for persons who become incompetent – an often cumbersome, costly and time-consuming arrangement. With trusteeship or a power of attorney, you – not a court – decide who will handle your affairs. Guardianships nonetheless provide the protection of court supervision of all transactions made on your behalf.

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#10: HEALTH CARE DECISIONS

Most thoughtful people give consideration at one time or another to whether they would want life-sustaining medical treatment continued if they were comatose and had no chance of recovery from an accident or illness.

No question could be more personal. We suggest only that you make your own wishes known, in writing, before the question arises. You can do so through a power of attorney for health care or a “living will.”

A power of attorney for health care (or health care “proxy”) names a person to make health care decisions for you, in the event you are incapacitated, and specifies the circumstances under which you want life sustaining treatment maintained, withheld or removed.

A “living will” is simply a statement by you, in writing, as to your preferences on life-sustaining treatment, that you give to your doctor and family members. Living wills are not universally recognized under the law, but they nonetheless may serve your needs. It is important to sign and date your living will before two witnesses, and to discuss the will with close friends or family members. Additionally, review the document once a year, adding your initials and date to show that you have not changed your mind.



#11: REVIEW YOUR ESTATE PLAN

Wills and living trusts should be reviewed periodically for changes in your family circumstances and plans for the distribution of your estate. The coming of retirement is certainly an event that should prompt such a review. Many people have wills that were drafted while their children were still at home or while older beneficiaries were still living. Clearly, such wills would not reflect current needs and realities . . . and there may now be additional persons and groups whom you wish to benefit.

As you review your will or living trust (or have your estate plan drafted for the first time, if you haven’t yet taken this important step), we hope you will consider the good works and personal satisfaction a bequest for our benefit can accomplish. A bequest for our future can take a variety of forms and perform a variety of useful functions. Your bequest can be deferred, so we receive the property at

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some future time and with tax rewards that will benefit both your family and our programs.⁹

#12: OPPORTUNITIES FOR GIVING

Retirement is a milestone in anyone's life – the crowning achievement of a lifetime of work. But retirement also should be a time of planning for the future – your own, your family's and that of generations yet to come.

A planned gift during retirement can provide donors with payments for life, several varieties of tax savings, money management services of a skilled trustee and the great personal satisfaction of participating in our achievements. Following are some planning ideas that may have special appeal for retired people.

#13: RETIREMENT, YEAR ONE

The year of retirement, in addition to being a year of great change in an individual's life, is often a year of unusual financial circumstances. You will surely start spending money differently. There will be new problems and opportunities affecting other money matters as well; your taxes, your estate plan and your sources of income all may take on a different look. The receipt of lump-sum retirement benefits, bonuses and other compensation

accruals can make the first year of retirement one of very high income. It is absolutely essential, therefore, that you give careful thought to how you intend to receive retirement income – and be prepared to deal with large sums of money. Competent tax, legal and investment advice should always be sought before you embark on any investment venture.

A charitable contribution can be particularly attractive in the first year of retirement, providing tax savings as well as great personal satisfaction. A charitable gift annuity or a charitable remainder trust established after you retire can result in significant income tax and estate tax savings, while continuing to provide income and investment management for you and your beneficiary. The tables on the following page¹⁰ will give you some idea of your potential savings.

The table demonstrates that a \$100,000 gift for a charitable gift annuity that is to pay a \$5,100 annuity to a 70-year-old retiree for life will give rise to a \$39,009 income tax deduction. If the same donor transferred property worth \$200,000 to a trust under which he is to receive a variable payout equal to 6% of the value of the trust, the table on the next page shows he can deduct \$93,124. Such substantial deductions can be of great value in the first year of retirement, where one's income is unusually high.

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Deductions for a Gift of \$100,000 to Charitable Gift Annuity for Life of One Beneficiary (Fixed Dollar Payout)

Age of Beneficiary	Payout Annually	Charitable Deduction
65	\$4,700	\$32,213
70	5,100	39,009
75	5,800	44,262
80	6,800	49,081
85	7,800	55,822
90	9,000	62,430

Deductions for a Gift of \$100,000 to Unitrust for Life of One Beneficiary

(Variable Payout)

Age of Beneficiary	5% Payout	6% Payout	7% Payout
50	\$26,331	\$20,949	\$16,893
55	31,854	26,147	21,693
60	38,066	32,168	27,410
65	44,858	38,937	34,005
70	52,289	46,562	41,641
75	60,109	54,810	50,127
80	67,743	63,059	58,811

The total deduction allowable in any one year for gifts to charity is 50% of the donor's adjusted gross income (AGI).



Where appreciated investment assets are donated, the maximum deduction is 30% of AGI. Amounts not deductible in the year of the gift may be carried over and deducted in later years.¹¹

#14: PROFIT SHARING PLAN GIFTS

You can put part of a lump-sum retirement payment or other distributions into a gift arrangement and receive a substantial deduction plus income for life.

Example: Maxine, age 72, is planning to retire from her company, where she participates in a profit-sharing plan funded with her employer's stock. Maxine has decided to take a lump-sum distribution of \$500,000 of the stock, then transfer the shares to a charitable remainder annuity trust. She will receive \$25,000 annually from the trust, plus a charitable deduction of almost \$225,000. The trustee can sell the employer stock and reinvest in a diversified portfolio without any loss to capital gains taxes. Maxine's charitable deduction

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will likely eliminate any income taxes incurred when she takes her lump-sum distribution, assuming her taxable portion in the employer securities is less than her \$225,000 deduction. Her annuity payments potentially can be favorably taxed as long-term capital gains or qualified dividends (15% rate in the 25%, 28%, 33% and 35% brackets). And Maxine will have the personal satisfaction of making a truly magnificent gift to our future.¹²

#15: IF YOU'RE PLANNING A MOVE

Miss R plans to sell her home and move to a retirement community where she won't have the burdens of maintaining a home. She expects to have some capital gains taxes to pay, even with the \$250,000 capital gains tax exclusion. Miss R decides to transfer the house to a charitable remainder trust and receive regular annuity payments for the rest of her life. She will receive a large income tax deduction, based on the current value of the property (not what she paid originally). But she also avoids 100% of any capital gains taxes that would have come due if she sold the house. Furthermore, a trustee will handle all future investments and pay her a good income for life.

#16: GIFTS OF FARMS AND HOMES

If you own your home or farm, or even a vacation home, you may be able to

make a gift of the property, obtain an immediate income tax deduction and still continue to use the property for as long as you wish.

How does this work? Simply contribute the property but retain the right to use it for your life (a "life estate"). You can continue to live in your home or receive income from the farm, and only after your death will the property pass for our benefit. By arranging this gift now, rather than in your will, you receive an immediate income tax deduction for the present value of our future right to receive the property.¹³

Let's look at how this type of gift might fit into the plans of a couple we'll call Mr. and Mrs. M, ages 77 and 75. They are retired, but pay substantial income tax each year. They co-own the home that they live in and they finished paying off the mortgage ten years ago. Mr. and Mrs. M plan to live in their home for the rest of their lives. However, they also would like to make a significant gift to our future. They have decided to deed the home, currently worth \$500,000, to us, retaining use of the home for both of their lifetimes. Based on their ages and other factors, the couple will receive an income tax deduction this year of about \$276,714. The deduction will save Mr. and Mrs. M more than \$77,000 in income taxes. They can invest those tax savings for additional income.

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#17: FUTURE INCOME FOR YOUR HEIRS

Case Study: A 77-year-old widow amassed, through purchases and inheritance, the remarkable sum of \$900,000 in U.S. savings bonds. Her taxable estate, including the bonds, was worth about \$6,000,000. Her estate planning goals are to provide for her two brothers and two charitable organizations. But her brothers would face income tax on at least \$450,000 of interest on the bonds, plus federal estate taxes.¹⁴

Solution: She's leaving the bonds to a trust that will pay her brothers income for life, with future benefit to the charities. As a result, her estate escapes all taxes, including any income tax when the trust receives payment for the bonds.

Savings bonds aren't the only items best left to worthwhile organizations. Income taxes and estate taxes can take a sizable bite out of:

- death benefits from IRAs and other retirement accounts (see the discussion below);
- accounts receivable of a professional or other business owner;
- renewal commissions of insurance agents or other deferred compensation;
- unpaid installments on a land sale contract;
- accrued royalties under a patent license.

As a tax-exempt organization, we would keep every dollar of such "tax-burdened property." Furthermore, leaving these items to us will create estate tax charitable deductions that save even more taxes for your heirs.

#18: RETIREMENT PLAN DEATH BENEFITS

Retirees have a remarkable opportunity to blend their estate planning with support for our future – particularly when it comes to disposing of death benefits from retirement plans. Congress years ago established a variety of retirement savings plans such as pensions, 401(k) plans, Keogh plans and individual retirement accounts (IRAs). In effect, Congress has said to the American people:

"We want you to save for retirement. As encouragement, we will let you take deductions for savings that you put aside. We will even let these savings grow tax-free until you retire. But we expect you to spend (and pay taxes on) these savings after you retire. Anything left over after the deaths of you and your spouse we will subject to federal income taxes and federal estate taxes."

As much as 60% (or more) of your retirement savings may be lost to these taxes when you die . . . unless they pass to qualified organizations. Many would agree that retired people should live life

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to the fullest and spend their retirement savings to the greatest extent that is prudent. But rather than have most of what remains pass to the government, it makes more sense to use retirement savings for charitable bequests. Your estate will receive a 100% estate tax charitable deduction for anything that passes to us from your IRA or other retirement savings plan. And, as a tax-exempt organization, we would owe no income taxes on the distribution.

How can you make death benefits from an IRA or other retirement account payable for our benefit? Simply contact the custodian of your account for the necessary forms. Naming an organization as beneficiary of part or all of a retirement account will not increase the rate at which you must take annual withdrawals. (Exception: A more favorable distribution schedule is available if you are married and your beneficiary is a spouse who is more than ten years younger than you.) You might consider leaving part of an IRA to us and the rest to family members. We would “cash out” our share and the family members could “stretch out” IRA payments over their own life expectancies. If you are married, your spouse would need to sign a consent form for plans other than IRAs. Note: You can leave retirement death benefits to a surviving spouse, who likely would set up a “rollover IRA.”

Your spouse could leave part or all of the IRA to assist our programs.

#19: CONTINGENT BENEFICIARY

Another option is to name us the *contingent* death beneficiary of your retirement account. Perhaps you have named a son or daughter to receive the assets remaining in your IRA. You could give your child the right to “disclaim” (decline) the bequest and anything remaining in the account would pass for our benefit, free of income tax and estate tax. Heirs who understand the severity of taxes may decide it’s best to have retirement assets pass to a worthwhile cause and divert the IRA to benefit our programs. We would also receive the balance of the retirement account if your primary beneficiary were to die before you.

#20: LEAVE RETIREMENT BENEFITS IN TRUST

The IRS has approved a transfer at death from a retirement account to a charitable remainder unitrust that benefits a surviving spouse. The IRS ruled that the value of the spouse’s lifetime income would qualify for the estate tax marital deduction. When the spouse dies, her estate would be entitled to an estate tax charitable deduction for anything that passes to charity. In this way, a spouse

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could receive payments, estate taxes would be eliminated and we could benefit in the future.

In another ruling, the IRS approved a charitable trust in a mother's will that would make payments to her daughter. The trust would qualify for a partial estate tax charitable deduction and the IRS ruled that there would be no immediate income tax results from funding the trust with assets from an IRA. IRA amounts would be taxed only as received by the daughter.¹⁵

The truth may be that your heirs simply will not need the reduced amount that is left from your retirement savings after the tax collector is finished. If need be, you could purchase life insurance to replace what family members would have kept, after taxes. Or a trust, described in the previous paragraph, could permit a family member and our organization to

“share” a bequest of retirement savings, with favorable tax results. Please call or write our office for details on the tax and financial benefits of such a plan.

A FINAL WORD

One of the great attractions of being retired is to have time for reflection – quiet moments to consider important matters, to assess what has been important in our lives, and to consider what we would like to pass on to others. What will be your legacy to the next generation? Our development staff would be pleased to discuss how your goals and ideals can be blended, through estate planning, into a planned gift or bequest that makes a significant difference in our endeavors, memorializes your own life and provides lasting satisfaction. We look forward to hearing from you!

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NOTES FOR TAX ADVISERS

1. The table assumes that the retiree will be withdrawing both interest and principal, except where marked with an asterisk.
2. Tables are based on estimates provided by the Social Security Administration.
3. IRC, §§170(e)(1)(A), 170(b).
4. IRC, §121.
5. IRC, §454. Annual reporting of interest may be a good strategy when bonds are given to young children.
6. Many states impose state estate taxes and/or inheritance taxes, as well.
7. An estate is allowed an income tax and estate tax charitable deduction for income in respect of a decedent (IRD) paid or permanently set aside for charity. See IRC, §§642(c)(1), 2055(a).
8. See Section 315.7 of Department of Treasury Circular DC530 and Section 353.7 of DCPD 3-80.
9. Tax laws provide that to secure a deduction for the present value of charity's deferred interest, a gift must be arranged as a charitable remainder trust, pooled income fund or as a remainder interest in a personal residence or farm. See IRC, §§170(f)(3)(a), 2055(e)(2).
10. The table shows the deductions allowable for a gift to a charitable gift annuity and a unitrust for the lifetime of a single individual assuming quarterly payments and the use of a 2% federal midterm rate. Our office can provide deductions for joint and survivor arrangements or for trusts that last for a term of years (20-year maximum). Deductions are subject to change each month, based on fluctuating interest rates.
11. IRC, §§170(b)(1), 170(d).
12. Maxine will pay income tax on the lump sum based on the shares' value when they were contributed to the plan, not the appreciated value when distributed by the plan. If she later sells these shares, she will owe tax on the net unrealized appreciation (NUA), as defined in IRC §402(e)(4), at long-term capital gains rates. The IRS has ruled that any gain realized from a sale of the company's shares by a charitable remainder trust will not be subject to capital gains tax. Furthermore, the gain on the NUA will be considered long-term capital gain for purposes of the four-tier distribution rules governing charitable remainder trusts (Ltr. Rul. 200335017).
13. IRC, §170(f)(3)(B) permits deductions for contributions of remainder interests in personal residences and farms. The example assumes a fair market value of the property equal to \$500,000, of which 80% is depreciable structures, with a 40-year useful life, no salvage value and the use of a 2% federal midterm rate.
14. The case study assumes an estate tax exemption of \$5.43 million is available. The estate tax charitable deduction reduces her estate below the \$5.43 million level. Estate tax exemptions are indexed for inflation.

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15. The IRS has approved a testamentary transfer of funds from a retirement account into a charitable remainder unitrust that was established during

life (Ltr. Rul. 9253038) and a similar transfer to a unitrust established in a donor's will (Ltr. Rul. 9237020).

The materials contained in this booklet are intended to show only some of the ways you can benefit our future and minimize your federal tax liability – with examples of anticipated federal tax liability. Thus, you should not take any action without first consulting your attorney.

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