



Ways to Benefit Family and Charity: Avoid Capital Gains Tax and Receive Income for Life

Some planned gifts are designed to provide significant benefits for both the charity and the donor. A charitable remainder trust (CRT) is a great example of this. That's because it enables you to:

- Avoid or defer paying capital gains taxes on the sale of appreciated assets;
- Convert highly appreciated, underperforming assets into an income stream;
- Diversify the portfolio of assets upon which you depend on for income;
- Enjoy an income tax deduction now;
- Reduce your estate taxes; and
- Provide significant financial support for New Horizons' programs.

HERE'S HOW IT WORKS:

Step 1: Transfer cash or the highly appreciated asset(s) to a tax-exempt trust. You select a trustee, such as a bank, to serve in that role.

Step 2: The trustee sells the asset but does not have to pay capital gains taxes on the sale, because the trust is tax exempt.

Step 3: The trustee reinvests the proceeds of the sale in assets that produce income.

Step 4: You and/or your beneficiaries receive income or a payout from the trust's assets for the rest of your life or the term that you choose. The payout can be either a fixed percentage of the trust's assets valued annually (unitrust) or a fixed dollar amount (annuity trust).

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Step 5: You will be entitled to receive a significant income tax charitable deduction the year you transfer the asset into the trust.

Step 6: At the end of your life or the chosen trust term, the assets that remain in the trust are transferred to a charity of your choice, such as New Horizons Ministries.

GIVE YOUR HOME WHILE YOU CONTINUE TO LIVE IN IT

Through a retained life estate, you can donate your home or farm to New Horizons and continue to live there or utilize the property for the rest of your life. You will be responsible for the house's ongoing taxes, maintenance and insurance per an agreement with New Horizons. Like all gifts of real estate, we must review and approve the transfer ahead of time. If the gift is approved, you can deed the property to New Horizons while reserving your right to live there for the rest of your life. You get a sizeable income tax deduction today without having to surrender immediate control of your residence or agricultural property. Upon your death, the property passes to New Horizons outside probate.

MAKING A GIFT TO YOUR CHARITY AND YOUR CHILDREN

The charitable lead trust enables you to pass assets to your heirs at a reduced tax cost by making intervening payments to a charity like New Horizons. The lead trust holds appreciating assets for your lifetime or for a term of years and pays an annual payout to New Horizons. New Horizons benefits from the guaranteed payouts from the lead trust while your family enjoys several tax advantages:

The gift assets placed in the lead trust are frozen in value for transfer-tax purposes as of the date the trust is formed. When the trust terminates and the assets pass to your family, all intervening appreciation will escape gift and estate tax.

Payouts to New Horizons further reduce the taxable value of the trust assets when they pass to your family. This feature makes the lead trust especially useful if you are holding assets likely to appreciate significantly before they are transferred to the next generation.