



Year End Gifts

Time spent before the end of 2012 determining the best ways to make your charitable gifts, can help you stretch your charitable dollars. Pending and proposed changes to tax laws could affect the amount that you can deduct for qualified charitable gifts beginning in 2013.

Enjoy Tax Savings

As you consider your charitable gifts between now and the end of the year, remember that gifts made now can generate *income* tax deductions that could help reduce your tax bill for 2012. With proposed changes in federal tax laws, giving this year may never save you more. The amount you save depends on tax rates and the portion of your gifts you are allowed to deduct.

- **Last Minute Gifts.** You can give now – pay later by using a credit card. No Greater Joy as well as most charities are prepared to accept them. The credit card can be processed as late as Monday, December 31st for a 2012 deduction.

Deciding What to Give

- **Cash.** Charitable gifts are most often made in the form of cash, checks and electronic transfers. When you itemize your tax deductions, gifts of cash may be used to eliminate federal income tax on up to half of your adjusted gross income (AGI). You may also enjoy state income tax savings.
- **Securities.** Giving securities (stocks, bonds or mutual funds) that are worth more than they cost you can bring additional tax savings. Such gifts are generally deductible for income tax purposes at their full current market value if they have been owned for longer than one year. They can be used to offset tax on up to 30 percent of your AGI. As an additional benefit, no tax is owed on capital gain that could be due in the event of a sale. In 2013 capital gains rates will rise significantly.

If you have investments that are now worth less than they cost, consider selling them and using the cash proceeds to make a charitable gift. This creates a loss you may be able to deduct from other taxable *income* as well as a charitable deduction for the amount of the cash contribution. The combined deductions for the gift and the loss may total more than the current value of the investment.

Whether you make a gift in the form of cash or other property, any unused 2012 deductions may serve to reduce your taxes *in* as many as five future years under current law.

Other Ways to Give

In addition to gifts of cash and securities, there are a number of other options you might wish to consider.

- **Gifts from retirement plans.** Retirement plan assets can be a practical source from which to make gifts. Many tax and financial advisors suggest using these funds to make charitable gifts because amounts withdrawn from retirement accounts can be taxable to you and eventually to your heirs if left to them. Giving in this way may result in little or no tax impact when you report the amount withdrawn along with an offsetting charitable deduction.

If you are over 70-1/2, it may be possible to make tax-free gifts directly from your traditional or Roth IRA. Such transfers can satisfy minimum required distributions.

- **A gift through your will or living trust.** With changes in estate tax laws in recent years, many of us find they will not be able to leave more to loved ones tax free. This may also make it possible to give more for charitable purposes, both now or through your will or other long-range financial plans. You can include a charitable gift of a specific amount, a percentage of your estate, a certain property or all or a portion of what remains after first providing for loved ones.
- **Gifts of life insurance.** If you own life insurance policies that are no longer needed for their original purpose, the value of such policies may be used to make a gift that can provide welcome income tax savings today and can also result in significant estate tax savings in the future. No Greater Joy may also be named as a Beneficiary for a specific percentage.
- **Gifts that provide income for you or others.** There are also a number of ways to give that can provide you with increased income, current and future tax savings and other benefits. Check with us or your financial advisors for options that may be useful for you.
- **Gifts of art and jewelry.** These need to be appraised – tough to be done at the last minute, but something achievable. One sales executive was told he would get a big year-end bonus, causing a large tax liability. He decided to give a highly appreciated painting to a museum. They had an appraiser pick it up, appraise it, get the dated acceptance and the tax benefit was assured.
- **Family gifts.** You're permitted to give up to \$13,000 as an annual exemption to as many people as you would like. You could gift to a child or grandchild \$13,000 and if married double that to \$26,000. In 2013 that amount will go up to \$14,000 per person. This does not reduce your lifetime exemption – currently \$5,120,000 for 2012 – scheduled to be reduced to \$1,000,000 for 2013. In 2013 unless the law changes will see the rate increase from 35% to 55%. The gift is not tax deductible to you or declared by the recipient of the gift. You may gift an amount over \$13,000 per person. It does not necessarily mean that gift tax will be owed; it only means that the gift must be reported by the giver on IRS Form 709. See the instructions at <http://www.irs.gov/pub/irs-pdf/i709.pdf>.

Act Today for Maximum Benefit

As you can see, you can make meaningful and cost-effective charitable gifts by carefully planning their timing and the property used to fund them. Changes scheduled for next year could reduce the tax benefit of some itemized charitable gifts, so acting now can assure you receive the maximum benefits.

We will be pleased to provide you with more information in helping you to evaluate your gifting plans.

Sincerely in Christ,

Mel Cohen, CFP, RFC, RTRP