

The American Federation for Aging Research's Terrapin Society offers donors a number of opportunities for thoughtful giving that ensure both the long-term health of AFAR and the fulfillment of personal financial objectives for donors.

Members of the Terrapin Society benefit from having the ability to designate a planned gift. Donors may choose to direct support to specific areas of research, such as Alzheimer's disease, cardiovascular disease, or the basic mechanisms of aging, or to allocate donations to AFAR's endowment. Participation in the Terrapin Society helps advance scientific research into the causes, treatments, and cures for age-related diseases.

This pamphlet explains the different ways you can become a member of the Terrapin Society. In addition to providing income and tax benefits for donors, these gift-planning options support AFAR's important mission of unlocking the mysteries of aging and the diseases associated with aging.

You will be automatically enrolled in the Terrapin Society if you designate AFAR as a charitable beneficiary in any one of the following ways.

A charitable bequest in a will

One of the most frequently used gifts for enrollment in the Terrapin Society is that of a gift through one's will.

Gifts by will to AFAR may be one of four kinds:

- **A general bequest**, which provides a specific dollar amount to AFAR;
- **A residuary bequest**, which provides AFAR with a specific asset or a sum of money, for all or a portion of what remains in an estate after other gifts have been made;
- **A remainder bequest**, which provides AFAR with a portion of the donor's estate that remains after the death of a life beneficiary;
- **A gift of contingent interest**, which gives AFAR a portion of the donor's estate at the donor's death or the death of a life beneficiary if certain primary beneficiaries are no longer living.

Bequests to AFAR are fully deductible as charitable gifts for federal estate-tax purposes and, in most cases, for state death-tax purposes.

A gift that pays income

A Charitable Remainder Trust (Minimum Donation: \$100,000), which is regularly used as a planned-giving mechanism, is a trust that provides for a specified distribution, at least annually, to one or more beneficiaries for life or for a term of years. The irrevocable remainder interest is held for AFAR. The Charitable Remainder Trust may be an annuity trust or a unitrust. Charitable Remainder Trusts turn appreciated assets into an income stream for you and others.



American Federation for Aging Research



Terrapin Society

American Federation for Aging Research

70 West 40th Street, 11th Floor

New York, New York 10018

212/703 9977 Tel

212/997 0330 Fax

www.afar.org

www.infoaging.org

An **Annuity Trust** must pay a sum of not less than 5% annually of the initial value of the trust to specified persons for life or for a term of years not to exceed 20 years. Upon the end of the term or life of the trust, the remainder is held for AFAR. An annuity trust is usually drafted for someone in his or her later years who does not want to be subjected to the volatility of market fluctuations.

A **Unitrust** must pay a fixed percentage of not less than 5% of the net fair market value of its assets, valued annually. Upon the end of the trust's term, the remainder is held for AFAR. A unitrust is usually drafted for someone who has 15 to 20 more years to live and is interested in having the income payments stay in line with inflation.

Charitable Remainder Trusts may be created via a will or during a person's lifetime. If they are funded with appreciated assets, donors avoid paying capital gains taxes on those funds. Charitable Remainder Trusts also reduce income taxes and transfer taxes (including gift, estate, inheritance, and Generation Skipping Tax [GST]).

Example: John and Mary Summer, both 80, currently have a \$100,000 portfolio, which pays an average of \$3,000 in dividend income. They have a combined 30% income tax bracket. The portfolio has a basis of \$25,000. If John and Mary transfer their \$100,000 of highly appreciated stock to a Charitable Remainder Trust, which pays them 6.5%, they would be entitled to an immediate income-tax deduction of \$57,579 and save approximately \$17,275 in income tax. In addition, they would not pay any capital gain on the stock transfer. By transferring their money to a Charitable Remainder Trust, they would more than double their annual income. Plus, the entire \$100,000 would be immediately removed from their estate, so that no estate tax would be due.

A "Term of the Years" Charitable Remainder Trust may:

- Supplement retirement income
- Create education funds for children and/or grandchildren
- Provide support for a relative

A gift of life insurance

Often life insurance allows donors to make a much larger gift to AFAR than they could with a gift of another asset. A donor's charitable income-tax deduction is approximately equal to the policy's cash value. A charitable pledge equal to the face amount of the life insurance policy can be fulfilled through either a single gift that represents a fraction of the total pledge or on the "installment plan" through annual premiums. If AFAR is named as the beneficiary and the owner, the policy is not included in the donor's taxable estate. If premiums are still due on a policy, future premium payments are tax deductible and may be paid to AFAR, provided the policy is owned by AFAR. A donor may also name AFAR as a successor beneficiary to receive the proceeds in the event the primary beneficiary or beneficiaries are no longer living. Should the proceeds be paid to AFAR, the donor's estate will be allowed a charitable estate-tax deduction. Fully paid policies are particularly welcome.

A gift of real estate

Family farms, vacation property, even a home can be resources for generating tax deductions and added income. There are several ways to put real estate to work for you and AFAR. Strategies such as life estates, donating undivided interests in real estate to AFAR, transferring real estate into a charitable trust prior to sale, and other strategies can provide solutions to a wide range of financial and estate-planning needs.

A gift of a retirement plan

Estate and income taxes can significantly diminish the value of a retirement account. When a donor names AFAR as a beneficiary, co-beneficiary, or contingent beneficiary of an Individual Retirement Account (IRA), Keogh Plan, 401(k), 403(b), or other qualified pension plan, his or her estate receives a charitable deduction for the full amount of the funds received from these accounts. Since tax burdens on estates may be reduced, heirs may receive increased amounts from other assets directed to them.

Example: Jane Gordon, a widow, has \$1 million in a qualified retirement plan, with an entire estate in excess of \$4 million. Jane wants to leave \$1 million to AFAR and the balance of her estate to her daughter, Susan. If Susan received the entire retirement-plan assets, she would pay income tax on the \$1 million less the amount of federal estate tax (currently, the rate is 45% and the amount due would be \$450,000). If Susan is in the 30% income-tax bracket, she will also pay \$165,000 in income tax. This would leave her a net inheritance of \$385,000 (\$1 million, less \$450,000, less \$165,000). Jane would better provide for Susan by leaving non-qualified retirement plan assets and making a charitable gift to AFAR of the retirement-plan assets.

A gift that gives back

The Charitable Lead Trust (Minimum Donation: \$500,000) is an exciting planning tool permitted by federal gift and estate tax laws that allows donors to choose where their property is distributed and which can provide larger inheritances for heirs.

The benefits of a properly structured Charitable Lead Trust are:

- bypassing federal gift and estate taxes
- possibly passing on considerably more than \$1 million in gifts free of gift taxes
- making charitable gifts to AFAR in amounts larger than the donor thought possible

The longer the trust's term and the higher the payout rate to AFAR, the larger the gift or estate-tax deduction will be. The Charitable Lead Trust is attractive for any property with a high-appreciation potential. The Charitable Lead Trust may be structured during a person's lifetime and is useful if he or she has annual charitable contributions that exceed the allowable income-tax deduction limits.

Example: Dana Smith is a widow with a \$4 million estate consisting of a home, retirement and investment portfolios, and other assets. If she leaves her estate outright to her surviving family, taxes could amount to \$1 million or more, depending on a number of variables. However, if Dana establishes a \$1 million Charitable Remainder Lead Trust that pays \$70,000 a year for 25 years to AFAR, her estate will receive a \$1 million estate-tax deduction. This means that there would be no taxable gift to her heirs. In addition, assuming that in 25 years the trust assets have appreciated to \$1.9 million, the heirs will receive this amount free of any estate or gift tax.

AFAR encourages you to discuss tax, estate, and deferred-gift planning with your accountant, lawyer, and/or other financial advisors. AFAR can also arrange for you to meet with an expert who can help advise you about the options available to Terrapin Society members.

For more information on the Terrapin Society, please call AFAR's Director of Development or Executive Director at 212-703-9977 or send us an e-mail at info@afar.org.