Fall 2007

Giving Thoughts

Planning Today For Clearbrook Tomorrow

A Life for Susie

The Hoegs didn't plan on needing Clearbrook. Susie, their youngest child of five, was a very independent teenager who graduated from a traditional high school with special education classes. "She wrote beautifully and read beautifully," says her mother Pat. "She was very high functioning." But during a family vacation, Susie's behavior began to change and eventually transformed into an agitated depression. The metabolic phenomenon progressed so much that the Hoegs realized their caretaking efforts were simply not enough. "Clearbrook was not planned in the beginning," says Don, "but it was a godsend."

As a volunteer for Clearbrook's Bingo sessions, Don had developed an awareness of the agency's capabilities. When Susie's needs finally required professional assistance, Don immediately knew Clearbrook was the perfect solution. "Clearbrook saved her life on some level," he says. "Activity-wise, we're boring old people—Clearbrook provides a total life for her with other clients and housemates, socialization, and activities." Susie has now celebrated over a decade working in the developmental training facility and living in a Clearbrook residence, which is conveniently just a stone's throw away from the Hoegs' home.

Susie Hoeg with her parents, Patsy and Dan Hoeg

Donating both their time and money to Clearbrook and other charities over the years has been an integral part of the Hoeg family. As members of the Clearbrook Guardians for more than 10 years, they and family members have been active in the Guardian's many year-round fundraising events. Don, a PhD who spent the better part of his career as a research scientist, gives his wife the honor of being the family's most innovative fundraiser. "She keeps coming up with ways to get money for Clearbrook," Don laughs. "We recently had our 50th wedding anniversary and Patsy said, 'The last thing we need is a gift from anybody. I'm going to put out a challenge for Clearbrook.' Pat raised $10,000—just from our anniversary!"

From that successful experience, now other family milestones like weddings, birthdays and such, are celebrated with a gift to Clearbrook. The family also provides local doctors, businesses, friends, and family with cans to collect donations for the annual Jelly Belly Tag Days event, a gesture that brings in another $10,000 a year. Although Pat knows her family's dedication to Clearbrook is self-explanatory, she says it's the outside donors who

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Making the Most of Your Gifts

If you are planning to make charitable gifts before the end of the year, you may want to pay special attention to what and when you choose to give.

Which assets are best to give?

Because you do not pay income tax on gifts you can deduct, you may be able to make a larger gift at a lower after-tax cost.

Cash and checks are the most popular means of making charitable gifts. Through such gifts completed by December 31 and itemized on this year's tax return, it may be possible to eliminate tax on up to 50% of your 2007 adjusted gross income (AGI). Gifts in excess of this amount may be used to reduce taxes in up to five additional years.

In addition, unlike certain other deductions, charitable gifts are deductible from both regular and alternative minimum taxes.

Give "paper profits"

As you consider your gifts this fall, keep in mind that securities and certain other assets that have appreciated are generally deductible at their full current value.

In other words, you are allowed to deduct not only what you paid for the property but also any "paper profit" or gain in the investment. As a result, you completely bypass capital gains tax that would otherwise be due. You may deduct amounts up to 30% of your AGI in this way.

For instance, Frank and Mary normally make charitable gifts in the form of cash. This year they decide instead to give stock that has appreciated. They are then able to deduct the full value of the stock while completely bypassing capital gains tax.

Give stock and "keep" it

Martha owns securities that have grown in value since she acquired them. She believes they may further appreciate in the future.

Instead of giving cash, Martha decides to make a gift using these securities and is therefore entitled to a tax deduction for their full value. Martha then uses the cash she had set aside for her charitable gift to repurchase the same number of shares at the current market price.

She now owns the same number of shares as before, but with a new, higher cost basis. If the new shares increase in value, she will have less gain to report when she eventually sells the stock. If their value declines, she may be able to deduct her loss for tax purposes.

Minimize losses

If you have investments that have **decreased** in value since you have owned them, consider selling them (thereby creating a loss you may be able to deduct) and giving the cash proceeds. This can result in tax deductions that actually total more than the current value of the investment.

Check with us or your advisors for more information about tax-favored gifts of securities and other appreciated—or, in some cases, depreciated—assets.

Tax Planning Pointers

- When you itemize deductions, you may deduct cash gifts of up to 50% of your adjusted gross income (AGI).
- Gifts of appreciated securities and certain other assets may be deducted at full value in amounts up to 30% of your AGI.
- Excess deductions can be used to reduce taxes in up to five future tax years.
- Property owned for more than one year may qualify for maximum tax benefits from charitable donations.
- If you are over age 70½, up to $100,000 may be directed from Individual Retirement Accounts (IRAs) for charitable purposes.

Special Opportunity This Fall

If you are like many, a large portion of your assets may be held in the form of Individual Retirement Accounts (IRAs) and similar retirement plans. Did you know that such funds may actually represent a convenient "pocket" from which to make charitable gifts?

If you are over age 59½, you may be especially interested in making gifts from these accounts. While all or a part of withdrawals from retirement accounts are normally taxed as income, a charitable gift of a withdrawn amount can result in no gift, income, or estate taxes ever being due on these funds.

Required to take IRA withdrawals?

If you are 70½ or older and must take unneeded taxable distributions from a traditional or Roth IRA, you may be pleased to learn of a special provision in the law. This year, you are allowed to direct that all or a portion of your mandatory withdrawal amount (or another amount up to $100,000) be used to make charitable gifts on a *totally tax-free basis*.

This provision can be especially attractive if withdrawal amounts now cause your Social Security income to be taxed at higher rates, if you have reached the limit for how much you can deduct, if your state does not exempt gifts from taxation, and in certain other circumstances.

Act now to take advantage of this opportunity. Unless Congress makes this provision permanent, this special tax planning incentive expires at the end of 2007. Check with your plan administrator or other advisors for more information.

Planning for the Future

Now may also be a good time to review your long-term plans, with special attention to how they may include a "gift of a lifetime." Charitable gifts can be made from arrangements you may already have in place, or you may choose to use special tools that feature current tax savings, increased income, and other benefits.

Gifts from existing plans

You can make meaningful, lasting gifts in one or more of the following ways:

- Through your will or living trust.
- By making a charitable interest a beneficiary of all or a portion of the remainder of retirement plan accounts.
- By giving a share in the proceeds of life insurance policies no longer needed for their original purpose.

Other options

There are also ways to give that enable you to make gifts to your charitable interests today while retaining income for yourself and/or your loved ones. You may benefit from professional asset management as well as capital gain and other tax savings. More information is available upon request.

A Life for Susie...*continued from page 1*

truly touch her heart. "I so admire the people who have no connection with Clearbrook and yet give their love, time, and money," she says.

Even with years of active fundraising under their belts, the Hoegs were exposed to a new idea when their attorney suggested leaving a charitable bequest in their will. "We thought it was a great idea," says Pat. The couple realized that a bequest was a wonderful way to help ensure that Clearbrook's quality care would continue for years to come. "We wanted to provide the means for supporting Susie in her future life when we weren't there," says Don. "It was simply making legal what we had decided to do long before."

Just in Time–A Guide to Giving

To Give…	Do This…	Save…
Cash	Give by check or other means of giving cash.	By deducting gifts up to 50% of your adjusted gross income in any one year; carry over any excess into as many as five tax years.
Securities	Send unendorsed stock certificate in one envelope and a signed stock power form in another envelope. The gift is complete on the postmarked date of the later envelope. If you do not have the stock certificate or if you are giving mutual funds, contact your investment advisor to arrange the gift.	By deducting the full current value of the stock and bypassing any capital gains tax which might be due on a sale. Deduct such gifts up to 30% of your adjusted gross income in any one year; carry over any excess into as many as five tax years.
Life Insurance	Assign a charitable beneficiary (or owner and beneficiary) of an existing or new policy.	By taking an income tax deduction if you name a charitable interest as both owner and beneficiary. Inquire for details.
Retirement Funds	**Over age 59½** If you are beyond the age at which a penalty is imposed for withdrawals, notify your plan administrator that you would like to withdraw amounts sufficient to fund charitable gifts you plan to make this year. **Over age 70½** You can arrange for tax-free charitable gifts of mandatory withdrawal amounts or another sum you determine directly from a traditional or Roth IRA up to a total of $100,000 in 2007.	**Over age 59½** While you will report the amount of the withdrawal as income this year, you can be entitled to an offsetting deduction for the amount of your charitable gifts, thereby completely avoiding tax on the amount of the withdrawal. Consider giving these funds, as they may otherwise be largely depleted in the future by federal estate and income taxes when received by you and/or your heirs. **Over age 70½** Regardless of whether you itemize your deductions or experience other limitations on credits or deductions, amounts distributed directly to charity are excluded from your taxable income.

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Kelly McGraw

For more information on ways to include Clearbrook in your estate plans, please return the enclosed reply card or call Kelly McGraw at (847) 385-5014.

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