

# GIVING THOUGHTS

*Planning Today For Clearbrook Tomorrow*

## Parents' Gifts Support Clearbrook's Future

A 25-year relationship is something special. Just ask Chicago natives Jean and Jim Bernhart, Clearbrook parents for 25 years.

"We have watched our daughter Anne grow from a teenager, to a young adult, to 43-year-old at Clearbrook," says Jim, a former Clearbrook board member. "Before Anne came here, Jean researched a lot of different facilities. We were fortunate to find Clearbrook because Anne has really found a life for herself here."

In fact, Anne's life is quite full thanks to Clearbrook. "Anne is high-functioning and lives on her own with the help of Clearbrook supervision," Jean says. "They meet with her on a weekly basis to assist her with budgeting, menus, and other needs. She also works in the Clearbrook resale shop and participates in Bible Study and bowling. Anne is very independent, and she fits right in here."

With Jim and Jean's support and love, Anne has thrived over the years at Clearbrook. "We have put our confidence in Clearbrook," Jim says, "and our only concern now is what is going to happen to Anne when we are no longer around. We decided that we want to do what we can for this organization to ensure that it is here for Anne, and others, well into the future."

With that in mind, Jean and Jim decided in 2007 to take advantage of a new tax provision that allowed them to make tax-free gifts from their IRAs directly to Clearbrook. This provision was recently extended through 2009. "Giving IRA assets appealed to us because, instead of a portion of these funds going to Uncle Sam to pay taxes, 100% of every dollar went to Clearbrook," Jim says. "So we didn't see our gift get watered down tax-wise."

Jean adds, "The IRA gifts were very simple to make. We just contacted our brokers, filled out some forms, and that was it. There were no fees involved."

While they enjoyed the tax benefits of their charitable gifts, Jean and Jim note that the biggest benefit is supporting a cause that they have a long-time relationship with. "We feel that we are a part of Clearbrook, and Clearbrook is a part of us," Jim says. "And when you feel like that, it is time to give back."



Jim and Jean Bernhart

# Deciding What and When to Give

Carefully considering the best ways to give can help ensure that your gifts achieve maximum benefits for you, your loved ones, and your charitable interests.

## Cash gifts

Contributions by cash or check are the most common ways to fund charitable gifts. Cash gifts are convenient to make and are welcome in any amount. Through gifts of cash it can be possible to eliminate federal (and perhaps state) income tax on up to 50% of your adjusted gross income (AGI).

## Give out of the market

If you have securities that are worth more than their cost, giving them can lock in their value for charitable deduction purposes. Your deduction will actually be based on the full value of the securities, including any “paper profit” in the investment.

If desired, you can then repurchase the securities at the current market price. There would then be a new, higher cost basis with less tax due on a future sale. A subsequent sale at a lower value could then result in a deductible loss rather than less gain.

## Take losses, give cash

If you have securities or other investments that are worth less than their cost, consider selling them and giving the cash proceeds. You may then be able to deduct the amount of the loss as well as your gift amount, possibly resulting in deductions that total more than the current value of the investment.

## Time your gifts

To ensure that your gifts are deductible on this year’s federal income tax return, it is important that you complete them by December 31.

# Give Now—and Later

If you believe your estate will pass to heirs tax free, or if you are not sure whether estate taxes will be due, consider arranging for future charitable gifts that will result in immediate benefits.

By doing so, you may be able to enjoy tax savings, increased income, and other financial advantages today while still providing for a significant charitable gift as part of your long-range planning. Known as “life income” gifts, these plans offer one or more of the following benefits:

- Generous fixed or variable income payments for life or another time period you determine

- Income tax savings based on the full value of assets given
- Diversification of investments while reducing or eliminating capital gains tax
- Professional asset management
- Possible reduction of probate expenses

We will be pleased to provide more information to you and your advisors about these and other charitable giving opportunities.



## Did You Know?

Charitable giving can offer special benefits to enhance your plans for the future by:

- Providing estate and income tax savings
- Increasing income from low-yielding assets
- Securing dependable payments for a spouse or other loved ones
- Creating a memorial to honor the memory of a loved one or other special person

# Questions & Answers About Effective Giving

**Q. Why should I arrange my gifts as early as possible in the year?**

**A.** Even though you have until December 31 to complete your gifts for tax purposes, it is best to begin discussing your plans with advisors early to assure enough time to decide the best ways to give and be able to complete transfers in a timely manner.

**Q. Are some assets better to give than others?**

**A.** As noted on page 2, cash and investments that are now worth more than their original cost can be the best assets to give from a tax planning perspective.

Giving low-yielding stocks, bonds, and other property can serve to reduce taxes and have little or no impact on your spendable income.

**Q. Are there other assets that may provide special benefits when making charitable gifts?**

**A.** Yes. If you own life insurance policies that have built-up cash value but are no longer needed for their original purposes, such as protection of a loved one or payment of estate taxes, they can make convenient, tax-deductible gifts.

**Q. I periodically review my estate and other long-term financial plans. Can these plans also include charitable gifts?**

**A.** Yes. As part of a review of your will or living trust, for example, you may wish to include your charitable interests for a specific amount, a percentage, or “what’s left” of your estate after first providing for loved ones and others. With continued reductions in federal estate taxes, you may find there will be additional assets in your estate from which to make charitable gifts.

## IRA Giving Opportunity

Congress has provided a special opportunity to give in 2009 for those who are at least age 70½ and have a traditional or Roth IRA. You can direct that any amount up to \$100,000 be used to make charitable gifts on a totally tax-free basis.

Amounts donated in this way will not be included in your taxable income, even if you do not normally itemize your deductions or would otherwise be subject to adverse tax consequences. When considering the best ways to make your charitable gifts this year, you may find this to be a particularly convenient tax planning strategy.

Note that those over age 59½ who can take withdrawals from retirement accounts without paying a 10% penalty for early withdrawal may also be able to enjoy similar benefits by making charitable gifts using these funds.

Check with your plan administrator or other advisors for more information on the best ways to make tax-favored gifts from retirement accounts.



### New Life for Old Policies

You may find that a life insurance policy purchased for the payment of taxes or the protection of a loved one may no longer be needed for its original purpose.

Redirecting life insurance proceeds for charitable purposes can be a convenient way to make a gift at a relatively low cost.

# Other Ways to Give

When planning for the future distribution of their assets, many people are pleased to learn of a number of ways to provide for charitable gifts after first remembering family, friends, and other loved ones.

You may wish to consider one or more of these special ways to make what may be the “gift of a lifetime.”

## Wills and trusts

After designating those you wish to receive a specific sum or certain property under the terms of your will or living trust, you can name charitable interests to receive all or a portion of what remains.

Giving in this way can help ensure that your heirs are provided for in the ways you desire while ultimately providing for charitable gifts as well.

## Life insurance and retirement plans

In addition to the immediate giving possibilities mentioned on page 3, you may wish to include charitable interests to receive gifts from life insurance proceeds or amounts remaining in a retirement account.

Because retirement plans can be subject to substantial taxes when received by heirs, it may be best to make charitable gifts from those accounts and provide for heirs using other assets.

## Bank and investment accounts

In many states, it is possible to title investment and bank accounts in such a way that whatever remains becomes a charitable gift. Amounts given in this way for charitable purposes can also pass free of estate tax and outside of probate.

## Support for loved ones first

If you would like to make an eventual gift for charitable purposes after first providing for loved ones for a specific time period, or until a particular need has been met, there are a number of ways to accomplish both goals.

Check with us or your advisors for more information about any of the ideas presented here.

*Careful planning can help you make charitable gifts without sacrificing the future security of your loved ones.*

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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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