

RECESSION –PROOF PHILANTHROPY: WHAT’S WORKING IN 2009 AND WHAT’S AHEAD IN 2010

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I. WHO ARE THE PROSPECTS?

Identifying prospects for planned gifts is the first step in determining the applicability of the gift plan.

- Age demographics as a factor – while chronological age is not, in itself, a determinant, it is most often the case that individuals who are “older” (that is ages 70 and above) are most likely to be interested in a philanthropic plan that will provide financial, tax and estate planning benefits.
- Individuals in the preservation phase of their economic lives – accompanying chronological age is a more relevant factor – that is, whether the person has reached a point in life where preserving capital, as compared with acquiring it, is a driving force in making financial and tax planning decisions. Age must be considered along with the economic life phase of the individual (e.g., acquisition or preservation) in order to more fully understand the planning issues applicable to that person and his/her family.
- Retirees with lower risk tolerance – it is logical for an individual who is older and in the preservation phase to be at or near retirement. Retirement implies the need to preserve capital so as not to outlive one’s money. In recessionary times, when retirement assets tend to diminish in value, the need to preserve capital at low risk is critical. Essentially, individuals who are retired understand the need to change their investment styles to reduce risk. A simple formula is illustrative. From the number 100, the individual will subtract his/her age. Say the age is 70. The difference, 30, expressed as a percentage (30%) represents, in the mind of most financial advisors, the maximum that a person’s investments should be at-risk. At risk is often defined as investments not necessarily in highly speculative vehicles but often in reasonably prudent stocks, mutual funds and real estate (other than a personal residence) – any item that is subject to market risk, particularly in recessionary periods such as the one we have been recently experiencing. The lower-risk investment strategy ought to include cash equivalents and Treasuries and, by implication, some secure planned gifts in the form of income plans.
- Potential recipients of windfalls -- many individuals who experienced substantial losses through the recession find that some of their capital assets have recovered their values during the recent market advance. However, much of their capital is still in unrealized loss status. Their financial planning suggests selling some of the assets that have appreciated, sometimes at a tax cost on the long-term capital gains, but retaining the property with unrealized losses until a future date. Payment of taxes on gains while the overall portfolio is in negative territory is difficult for many older individuals, particularly those who have theretofore depended upon the growth of their capital assets to fund a substantial portion of their retirement. Avoiding tax on the long-term capital gains either in whole or in part or deferring the tax into installment payments have become motivating factors for philanthropic planning, more so as a consequence of the recession.
- Individuals concerned about perpetuating property ownership -- how to pass assets to the next generation has been an historical issue for wealthier individuals. Those who have been consistently philanthropic over the years have “partnered” with charitable organizations to plan for the tax-efficient movement of property to the next generation. With property values, particularly in the case of investment real estate, at historic lows as a consequence of the recession, the applicability of nongrantor charitable lead trusts, particularly the annuity trust, has risen. Taking advantage of lower valuations and the low 7520 rate, families are moving assets to their children quicker, at low if any transfer tax costs, and with lower charitable payouts.

- Individuals with diminished values in retirement plans – prior to the recession, the issue involved planning for highly appreciated qualified plans where the “double tax” (estate and income) could radically reduce plan values at the death of the owner. The recession has converted the issue to that of providing solutions for the reduction in the value of plan assets to the point where funds are deemed to be insufficient to provide for expected retirement costs. Life income philanthropic planning has become one of the solutions.
- People who need predictable income for retirement needs -- with little confidence in the economy and risk tolerance logically lowered, many individuals seek safe harbors for their funds. Savings are at an historic high, and yields on cash equivalents are below nominal inflation. An interesting consequence is the emergence of charitable gift annuities, those that are established with charities subject to regulations in the most stringent states as principal alternatives to bank certificates of deposit and money market funds. Individuals seem to be more confident in the security of payments offered by regulated charitable organizations than those offered by banks and insurance/annuity companies.
- Individuals concerned about health care planning – more than ever, with asset values diminished and the fear of outliving one’s money on the minds of many older individuals, there is increased concern about the financial devastation that may result from unforeseen health care issues. The use of philanthropic vehicles such as charitable reverse mortgages and life income plans has increased considerably as a consequence of the recession as those individuals without long-term care insurance try to secure a formula for self-insurance.
- Individuals struggling financially to remain in their residences -- it should be no surprise to learn that those older individuals for whom their residences are their principal assets have seen their homes suffer substantial losses in value. While they may have been motivated to leave the properties to heirs at the end of their lifetimes, many homeowners are now grappling with making their properties productive economically because of their need for additional assured funds for their retirement. Passing the property to heirs has become subordinate to affording to remain in their homes throughout their healthy years. Retained life estates with accompanying annuities, the philanthropic *charitable reverse mortgage*, have arisen during the recession as a means of enabling individuals and couples to remain in their homes and generate additional predictable funds to carry their increasing costs of retirement.
- People with a disproportionate amount of debt relative to asset values – normal debt has become disproportionate for many individuals even without considering the reduction in asset values. Added to that for some has been the reduction or elimination of sources of ordinary income. Debt has become insurmountable for many. Raising the threshold of secure assured income is the challenge in order to reduce debt over time and diminish the dependency on upward movements in capital market (and the attendant risk that type of investing entails). Secure life income planning using philanthropic vehicles has raised the bar on fixed rates and eased the burden on many individuals to reduce debt and increase available funds for living costs.

II. APPLICATION OF PLANNED GIVING VEHICLES – WHAT’S WORKING IN 2009?

- Charitable gift annuities
- Life estates in personal residences with lifetime annuities and partial interests
- Charitable remainder trusts
- Charitable lead trusts
- Redemption of C corporation stock
- Charitable bequests and beneficiary designations in retirement plans

III. SPECIAL APPLICATIONS OF CHARITABLE GIFT ANNUITIES

While traditional charitable gift annuity transactions continue, three particular areas seem to be more frequently pursued during 2009.

- Funded with cash or cash equivalents – as a means of emulating a fixed-rate lifetime certificate of deposit if such an instrument existed.
- Funded with capital loss property – to enable an individual to realize the loss and accompanying tax advantages and convert the proceeds into lifetime fixed-rate income without any further involvement in market risk with respect to the sold property.
- Funded for future payments – the reemergence of deferred gift annuities to enable individuals to set up predictable sources of retirement income for the future and mollify the impact of a future recession. Lessons learned from experiences in 2008-2009.

Example #1 – Charitable Gift Annuity – One Life – Cash or Cash Equivalent

Donor, age 77, decides to contribute \$10,000 of the proceeds from a matured CD to establish a gift annuity. The gift annuity agreement is entered into between the donor and the charitable organization in October, 2009.

1. Purchase price of annuity	\$ 10,000
2. Fixed lifetime annuity rate	6.6%
3. Annual annuity payments (quarterly, semi-annual or annual)	\$ 660
4. Current income tax charitable deduction	\$ 4,717
5. Income tax savings from deduction (assume 30% marginal rate – Line 4 x .30)	\$ 1,415
6. Net cost of the annuity (Line 1 minus Line 5)	\$ 8,585
7. Effective annuity rate (Line 3 divided by Line 6)	7.7%
8. Tax-free portion (throughout normal life expectancy)	72.1%

The effective return is even higher because only 27.9% of the annual annuity amounts are subject to tax as ordinary income rates for a period of time corresponding to the annuitant's normal life expectancy.

Example #2 – Charitable Gift Annuity – One Life – Capital Loss Property

Donor, age 77, decides to sell securities worth \$10,000 with a cost basis of \$14,000 and contribute the proceeds to establish a gift annuity. The gift annuity agreement is entered into between the donor and the charitable organization in October, 2009.

1. Purchase price of annuity	\$ 10,000
2. Fixed lifetime annuity rate	6.6%
3. Annual annuity payments (quarterly, semi-annual or annual)	\$ 660
4. Current income tax charitable deduction	\$ 4,717
5. Income tax savings from deduction (assume 30% marginal rate – Line 4 x .30)	\$ 1,415
6. Income tax savings from long-term capital loss (\$4,000 x 30%)	\$ 1,200
7. Net cost of the annuity (Line 1 minus Lines 5 and 6)	\$ 7,385
8. Effective annuity rate (Line 3 divided by Line 6)	8.9%
9. Tax-free portion (throughout normal life expectancy)	72.1%

The effective return is even higher because only 27.9% of the annual annuity amounts are subject to tax as ordinary income rates for a period of time corresponding to the annuitant's normal life expectancy.

Example #3 – Charitable Gift Annuity – Two Lives – Cash or Cash Equivalent

Donors, ages 78 and 76, decides to contribute \$10,000 of the proceeds from a matured Treasury to establish a joint and survivor gift annuity. The gift annuity agreement is entered into between the donor and the charitable organization in October, 2009.

1. Purchase price of annuity	\$ 10,000
2. Fixed lifetime annuity rate	5.8%
3. Annual annuity payments (quarterly, semi-annual or annual)	\$ 580
4. Current income tax charitable deduction	\$ 3,909
5. Income tax savings from deduction (assume 30% marginal rate – Line 4 x .30)	\$ 1,173
6. Net cost of the annuity (Line 1 minus Line 5)	\$ 8,827
7. Effective annuity rate (Line 3 divided by Line 6)	6.6%
8. Tax-free portion (throughout normal life expectancy)	70.5%

The effective return is even higher because only 29.5% of the annual annuity amounts are subject to tax as ordinary income rates for a period of time corresponding to the annuitants' normal joint life expectancy.

Example #4 – Deferred Charitable Gift Annuity – One Life – Cash or Cash Equivalent

Donor, age 55, decides to contribute \$10,000 in cash to establish a deferred charitable gift annuity with payments commencing after donor reaches age 65. The gift annuity agreement is entered into between the donor and the charitable organization in October, 2009.

1. Purchase price of annuity	\$ 10,000
2. Fixed lifetime annuity rate (commencing after age 65)	8.0%
3. Annual annuity payments (quarterly, semi-annual or annual)	\$ 880
4. Current income tax charitable deduction	\$ 3,486
5. Income tax savings from deduction (assume 35% marginal rate – Line 4 x .30)	\$ 1,220
6. Net cost of the annuity (Line 1 minus Line 5)	\$ 8,780
7. Effective annuity rate (Line 3 divided by Line 6)	9.1%
8. Tax-free portion (throughout normal life expectancy)	40.9%

In the case of a deferred gift annuity, the net annual annuity payment return is not increased to the extent of a current gift annuity for older individuals since the tax-free portion is less. Nevertheless, in this example the effective return is even higher because only 59.9% of the annual annuity amounts are subject to tax as ordinary income rates for a period of time corresponding to the annuitant's normal life expectancy and commencing when specified in the gift annuity agreement.

IV. SPECIAL SITUATIONS INVOLVING PRIMARY AND SECONDARY RESIDENCES

Difficult times in the real estate market call for special strategies. Applying charitable giving plans to achieve solutions has been of considerable importance during this recessionary period.

Example #5 – Charitable Reverse Mortgage – Personal Residence

In all too many situations, older individuals find themselves in homes they can no longer afford to maintain. Incomes have diminished, capital assets have lost value and costs of living, including real estate taxes, utilities, insurance, food and household maintenance, have risen precipitously. Individuals most affected live on fixed income and retirement plan withdrawals. They want to remain in their homes throughout their healthy lifetimes. In the following example, a couple ages 80 and 76 found themselves in such a situation. They needed additional income of approximately \$3,000 per month to maintain their lifestyle, pay reasonable costs of living and remain in their home.

Entering into discussions with a charitable organization that they had supported for many years, they explored the applicability of a *charitable reverse mortgage*. The charity was interested in helping the couple remain in their home and facilitate a future vested contribution of the property at the end of the lifetime of the second to die.

The couple conveyed the property by deed to the charity, reserving a life estate. In this split-interest charitable gift, they were entitled to claim a portion of the appraised value of the property as an income tax charitable deduction.

The value of the property per appraisal was \$1 million. There was no mortgage or other obligation secured by title to the property.

The transfer of the property to the charity, reserving a life estate for their joint lifetimes and for the lifetime of the one of them who survived the other, generated a charitable contribution calculation of \$556,000 (i.e., 55.6% of the value of the property). The gift annuity rate applicable to their joint lifetimes was 6.6%. Accordingly:

1. Gross value of the property conveyed	\$1,000,000
2. Amount of charitable contribution (rounded)	556,000
3. Fixed annuity rate	6.6%
4. Amount of annual joint and survivor lifetime annuity	37,000
5. Net income tax charitable deduction (for year of transfer)	209,000

The gift agreement confirming the life estate (also provided for in the deed) and the annual annuity contains provisions with respect to relinquishing the life estate, either voluntarily (e.g., moving to a replacement residence) or involuntarily (e.g., health care needs as determined by authorized individuals as attorneys-in-fact or guardians for one or both life tenants).

Example #6 -- Retained Life Estate – Personal Residence (without concurrent annuity)

A scenario often arises under which individuals who own secondary residences that they use infrequently seek tax and estate planning solutions, particularly in times of recession when use is even more restricted. In a familiar case, a husband and wife, ages 78 and 75 respectively, owned property in Florida that they used infrequently. The most recent appraised value was \$350,000. They were not ready to relinquish their discretionary use of the property. They made a transfer of title by deed to a charitable organization, reserving a life estate. At the time:

1. Gross value of the property conveyed	\$350,000
2. Value of joint life estate	203,000
3. Amount of charitable contribution (rounded)	147,000
4. Tax savings from itemized charitable deduction (@30%)	44,100
5. Net present cost of future gift to charity (Line 3 less line 4)	\$102,900

In addition to the current income tax savings resulting from the itemized charitable deduction, there will be avoidance of estate taxes and probate cost savings. At the end of the lifetime of the second to die, the fee simple title to the property will vest exclusively in the charity, and the property will not require administration in probate.

Example #7 – Partial Interests in Real Estate

In another situation, the same individuals might choose to convey a partial interest in this property by deed to the charitable organization to the extent of the proportion of 100% that they do not intend to make use of it. In such a plan, the title would be held in tenants in common between the donors (as to their fractional interest) and the charity (to the extent of its fractional interest). Assume that the donors wished to use the property for three months each year, a ¼ interest. When comparing this scenario with Example #5, it may be that the resulting tax savings make this a more beneficial transaction. For example:

1. Gross value of the property	\$350,000
2. Value of the retained interest (25% - no discount)	87,500
3. Value of the interest to charity (75% - no discount)	262,500
4. Tax savings from the itemized charitable deduction (Line 3X .30)	78,750
5. Net cost of gift of present gift to charity (Line 3 less line 4)	\$183,750

The charity and the donors will agree as to the times of exclusive use by the donors. While the charity may use the property other times throughout the year, it may choose (in consultation with the donors) not to. The donors continue to enjoy the property as before. If they do not convey their 25% interest to the charity during their lifetimes or devise it to the charity in their wills, their fractional interest will be included in the probate estate of the second to die for distribution to heirs and may be subject to estate taxes.

V. ADVANTAGES OF NON-GRANTOR CHARITABLE LEAD TRUSTS

Families continue to be concerned about retaining capital assets for the next generation. The recession has presented opportunities that were not available previously, particularly if one may assume that real estate values, now depressed, will recover over time. In addition, the section 7520 discount rate remains low, enhancing the value of the front-end interest in a charitable split interest gift such as a non-grantor charitable lead trust.

Assume that rental real estate, recently worth \$2 million, has lost 25% of its value as a result of the recession and is now valued at \$1.5 million. The rentals have remained stable under solid triple-net leases. Based upon the current valuation, the rentals represent a net return of 11%.

The family is historically philanthropic. They may have a private foundation or a donor advised fund account. They have made annual charitable contributions to a variety of charitable organizations consistently over the years.

The goal is to transfer the rental property to the three children at low transfer tax cost and retain the property in the family. To accomplish this through the use of a non-grantor charitable lead trust, we must make a calculation that will take into account the following:

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|--|-------------|
| 1. The value of the property when transferred to the trust | \$1,500,000 |
| 2. The amount (expressed as a fixed rate) to be given annually to charity(ies) | 10% |
| 3. The term of years that the trust must run before distribution to the children | 12.5 |

A non-grantor charitable lead trust (an annuity trust in this case) provides for fixed rate payments to charity(ies) for a term of years and distribution of the assets of the trust to others than the grantor at the end of its term. Since the goal is to transfer ownership of the rental property to the children at a date in the future at no gift or estate tax costs, it is essential to generate, for a lifetime gift, a front-end gift tax charitable deduction in an amount to offset the current value of the property. Thus, the present value of the fixed rate payments to charity for 12.5 years, as above described, will under the applicable section 7520 rate zero out the gift to the children. Thus, the gift of \$1.5 million in property that the children will take after 12.5 years when the term of the trust ends is not subject to gift taxes because the amount of the gift tax charitable deduction offsets the gross amount of the gift.

When the property is transferred to the children at the end of the term of the trust, there will be no additional gift or estate taxes due even if the property has appreciated in value. The appreciation is passed on to the children at no transfer tax cost. The children, however, take the donors' basis in the property; any gains realized upon sale after they receive title will be measured from that basis. For families that intend to retain the property in the next generation, the matter of gain is of little if any consequence.

With the low section 7520 rate and the reduction in the property's value from its high, this is an opportunity for families to continue their philanthropy through payments from the trust and shift property to the next generation at little if any gift or estate tax cost.

VI. CHARITABLE REMAINDER UNITRUST WITH APPRECIATED REAL ESTATE

While real estate has lost value in nearly all parts of the country, there are still properties with low enough basis that gains may still be realized on sale. It has been recently noted that buyers will pay cash for properties with values suitable to their financial projections.

Recently, such a property became available for a cash purchase of \$300,000. It was a small commercial building with a tenant under lease. The net rents represented a 4% return on value. The adjusted basis for the owner, including accumulated depreciation, was \$50,000. The taxable event if the property were to be sold would be \$250,000. At a marginal rate of 20% (federal and state), the tax costs would be approximately \$50,000 (20% x \$250,000).

A tax-wise alternative for the owner was to convey the property to a charitable remainder unitrust. Since the sale for cash was predictably assured, it was not necessary to establish a net income/make-up unitrust (a NIMCRUT) with a flip-provision upon sale. A regular unitrust was workable.

A fixed unitrust rate of 7% was set out in the trust agreement. The property was conveyed by deed to the trust. The trustee promptly sold the property in an arm's-length transaction to an unrelated buyer. There were no prior contracts of sale or memoranda of understanding between the grantor and the buyer.

As a consequence of entering into this form of split-interest gift:

Potential Tax Savings:

1. Tax on the capital gain (20% x \$250,000)	\$50,000
2. Current income tax (deduction of \$162,414 x 35%)	+ <u>56,845</u>
Total tax savings (without regard to potential estate tax savings)	\$106,845

Potential Cash Flow (subject to annual trust revaluation and pre-tax):

1. Unitrust amount (\$300,000 x 7% x 11.1 years of life expectancy)	\$233,100
2. Prior cash flow (net rentals \$12,000 x 11.1 years)	- <u>133,200</u>
Increased cash flow	\$133,200

Potential tax savings + potential increased cash flow = \$206,745.

The projection delivered to the grantor in advance of the gift did not reflect any annual unitrust valuation increases/decreases. The unitrust amount was reflected as unchanged (as if it were a charitable remainder annuity trust) as was the anticipated annual net rentals. This was done to present the most conservative financial analysis of the transaction. For the charitable remainderman, the anticipation is that the trust will realize an average annual return of better than 7% so that the value of the remainder when received in future dollars will resemble the value of the property when contributed to the trust plus a reasonable adjustment for inflation.

VII. CHARITABLE REMAINDER TRUST – VALUATION “UNDER WATER”

An unfortunate consequence of the recession to annuitants/donors of charitable remainder trusts (often annuity trusts) and to the charitable remainder beneficiaries is the diminishment in the value of trust principal. Many of these trusts were established before the requirement in the IR Regs that charitable remainder annuity trusts pass the 10% and 5% tests to qualify. Fixed rates in many instances were quite high, bearing no reasonable resemblance to what the investments held in the trust were earning. Payments to annuitants were drawn mainly from trust principal. Trusts were nearly “under water.”

The recession exacerbated the problem. Trusts were losing values more rapidly than in prior periods. No positive returns were being realized. Required payments to income beneficiaries continued made almost wholly from principal that had lost investment value. In many trust agreements, the charitable remainder beneficiary was appointed to serve as trustee. Neither the income beneficiary nor the remainderman had reason to believe that their intentions when the trust was established - to pay the annuitant for life and provide resources to the charity afterward - would not be carried out.

The recession has compelled the parties to seek solutions. In some instances, the solutions provided benefits for all parties. As an example:

Charitable remainder annuity trust (CRAT) –

Original contribution amount	\$120,000
Age of annuitant at time of contribution	67
Fixed annuity rate	9%
Annual annuity	10,800
Total payments to annuitant as of 5/1/09	162,000
Value of trust's assets as of 5/1/09	30,000
Life expectancy of annuitant – age 83 – (from 5/1/09)	8.3 years
Present value of life income interest (2.6% AFR)	\$16,706

Planning choices:

I.	Terminate the trust – pay out the assets (\$30,000) to the parties	
	A. To annuitant	\$16,706
	B. To remainderman	+13,294
	Total payout at termination	\$30,000
II.	Annuitant contributes present value of income interest to remainderman	
	A. To remainderman	\$30,000
	B. To annuitant – income tax charitable deduction	\$16,706
III.	Annuitant acquires a charitable gift annuity	
	A. Value of contribution for CGA	\$16,706
	B. CGA rate – age 82	7.5%
	C. Annual fixed rate lifetime annuity	1,028
	D. Income tax charitable deduction	7,015
	E. Tax savings from itemized deduction (assume 30% marginal rate)	\$2,105
	F. Benefit to remainderman - residuum of CGA when ended.	unknown

VIII. CHARITABLE TRANSFERS/REDEMPTIONS OF CLOSELY-HELD STOCK

With lowered asset valuations during the recession, business owners have taken advantage of the opportunity to shift proportional ownership of stock in their closely-held corporations to family members. In a case on point, a father and son each owned one-half of the outstanding shares of the family C corporation. With 100 shares outstanding and an appraised value of \$100,000 per share, the value of the corporation was set then at \$10 million. The corporation had a substantial amount of undistributed cash.

The father discussed with the charitable organization an outright gift of 10 shares of the 50 shares he owned, valuing the charitable contribution for purposes of an income tax charitable deduction at \$1 million. There was permissible discussion between the donor and the charity with respect to an anticipated redemption of the stock by the corporation for cash.

The stock was delivered to the charity and transferred into its name on the books of the corporation. At that moment, the shareholders of 100 outstanding shares were:

1. Son 50 shares (50%)
2. Father 40 shares (40%)
3. Charity 10 shares (10%)

An offer to redeem the shares for cash was delivered by the corporation to the charity accompanied by an appraisal of \$100,000 per share. The charity accepted the offer; cash in the amount of \$1 million was paid to the charity; the shares, now owned by the corporation, were retired. At that time, the shareholders of 90 outstanding shares were:

1. Son 50 shares (55.5%)
2. Father 40 shares (44.5%)

The son's proportional ownership in the corporation was increased by 5.5% and the father's reduced by a similar amount at no gift tax cost.

Benefits to the father:

1. Income tax charitable deduction \$1,000,000
2. Tax savings from deduction (@30%) 300,000
3. Shifting ownership at no gift tax cost

Benefit to the son:

1. Receipt of additional ownership at no tax cost

Benefit to the charity:

1. Gift of illiquid property made liquid \$1,000,000

Benefit to the corporation:

1. Cash used to redeem the stock comes out of the corporation at no tax cost to the corporation or to the shareholders.

[Note: the father could have transferred the stock to a charitable remainder annuity trust, had the trustee sell the shares to the corporation, and received a fixed rate annuity for life. He would generate a lower income tax charitable deduction as a consequence.]

IX. WHAT GIFTS WOULD YOU RECOMMEND DURING THE RECESSION?

- Case # 1. Donor (age 68) indicates that he is about to enter into a contract for the sale of land he owns. He says the property will sell for \$2 million.
- Case #2. Donor (age 50) will receive a bonus this year of approximately \$500,000 in cash from her financial services firm.

- Case # 3. Husband and wife (ages 70 and 68) have substantial assets in their individual IRAs. Husband will turn 70 ½ in early 2010. Their IRAs have lost significant value during the recession.
- Case #4. Donor (age 75) has told you that he is concerned about finding ways to pass on his family business to his two daughters (who work in the business with him). He is preparing to retire. He tells you that the business is formed as a C corporation and is worth \$10 million.
- Case #5. Donors (ages 78 and 75) have a substantial portfolio of stocks that they want to sell to reduce market risk. The portfolio, which had been worth much more, is now worth \$1.5 million. Their cost basis is \$100,000.
- Case #6. Donor (age 80) has \$2 million in cash in CDs and money market funds. He wants to increase his return and make a major charitable gift.
- Case #7. Donors (ages 75 and 68) own a second home in South Florida worth \$750,000 which they rarely use and do not want to rent.
- Case #8. Donor (age 65) has a paid-up life insurance policy with a death benefit of \$1 million which he does not need.
- Case #9. Donor (age 77) owns a small commercial property that he wants to sell. He has received an offer of \$300,000 cash. His basis is \$50,000.
- Case # 10. Donor (age 55) is an art collector. He wants to give a painting appraised at \$150,000 to a human service agency that he regularly supports. His cost basis is \$50,000.

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