Planned giving is a technique of including charitable giving in your financial plan. Currently, the federal and state governments encourage philanthropy by providing advantageous tax treatments for gifts to qualified non-profit organizations.

By incorporating planned giving in your financial plans, you may receive the maximum benefits of these tax laws. Often these tax provisions allow you to make a greater gift than you otherwise might have thought possible, while also benefiting your family and heirs. Planned giving to PYS can also provide a way to perpetuate your support of the organization beyond your lifetime, while realizing benefits for yourself today.

The type of asset and the way it is given to PYS determine the tax and financial benefits resulting from the gift. Certain planned gift arrangements may provide you with an opportunity to diversify your holdings tax free or turn highly appreciated assets into an income stream while creating a current tax deduction at the same time. With careful planning today, you may reduce or eliminate estate, inheritance and gift taxes, allowing your family to receive a greater tax benefit from your life's work. There are several forms of planned giving, including gifts of outright cash or securities, retirement plan assets, insurance policies, gifts designated through your will, living trusts, testamentary planned gifts, gifts for the future and gifts that provide you with a lifetime income stream. Many of these forms of giving will be discussed in greater detail in the following sections.

As with all financial decisions, a planned gift should be designated with care and should be reviewed by your attorney and/or financial advisor to ensure your gift achieves your individual goals. As tax laws change frequently, the information in this brochure should be verified with your tax advisor.

Outright Gift of Cash or Securities

The most immediate way to make a planned gift is by writing a check. Through this type of gift, PYS receives immediate assistance and you the donor, may be entitled to an income tax deduction in the year of the gift.

A gift of appreciated securities is a popular alternative to a cash gift, because it actually saves taxes twice. If you have owned the securities for more than one year and the fair market value has increased since you purchased them, you may not only receive an income tax deduction for the full fair market value of the donated securities, but you also may avoid capital gains tax on the asset appreciation.

Donors who make outright gifts generally understand the immediate needs of the organization they are supporting and the importance of their annual support. Such donors can enjoy seeing the immediate results of their generosity.

For federal income tax purposes, taxpayers who itemize their deductions may generally deduct the amount of the cash and appreciated securities up to 50% of their annual adjusted gross income. Any deduction in excess of that amount can be carried forward for up to five additional years or until it is exhausted.

Gifts Through Your Will

The chaos that often occurs following the death of a loved one can be burdensome. This burden can be eased, however, through proper planning. A key element of proper planning is the implementation of an estate plan. The basic document in any such plan is a will and many plans also include a trust.

A will is a legal document that contains statements about what matters most in your life. By executing a will, you can ensure that your intentions are clearly expressed and will be followed by those administering your estate.

After providing for family, friends, and others, many individuals designate an organization that has had great significance in their life and exemplifies their values with a meaningful gift in their wills. By doing so, these donors may realize substantial estate and gift tax savings as well.

These gifts can take various forms:

• An Outright Bequest – A specified dollar amount or specified assets such as securities, real estate or tangible personal property.

• A Residual Bequest – A designation of all or a percentage of the remainder of your estate after specific amounts bequeathed to other beneficiaries are distributed and estate-related expenses are paid.

• A Contingent Bequest – Provides for a designation of an amount upon the occurrence of a certain event – if, for example your primary beneficiary does not survive you. You can make a testamentary bequest to PYS by creating a new will or by executing a codicil to your existing will.

Unless otherwise designated in your bequest, all contributions received by PYS will be placed in the organization's unrestricted General Fund to meet the operating needs of PYS. If you wish your bequest to be designated for a specific purpose, such as music camp scholarships or as an addition to the Endowment Fund, such bequest will be placed in a specific fund for the designated purpose.

In the case of the Endowment Fund, your bequest will be permanently invested with only the income earned on the invested assets eligible for use by PYS to meet yearly operating needs.

The language in your will should be very specific with respect to your wishes for the bequest. We recommend that you contact PYS in advance to ensure your wishes are clearly understood.

Examples of Bequest Language

For an Outright Bequest:

"I give, devise and bequeath to the Phoenix Symphony Guild (dba Phoenix Youth Symphony), Phoenix, Arizona, the sum of ($____) to be used for its general purposes." (Instead of a dollar amount, you can indicate a percentage (___%) of your total estate or specifically describe property to be given.)

For a Residual Bequest:

"I give, devise and bequeath to the Phoenix Symphony Guild (dba Phoenix Youth Symphony), Phoenix, Arizona, _____ percent of the residue of my estate to be used for its general purposes."

For a Contingent Bequest:

"In the event that ___________ predeceases me, I give, devise and bequeath his/her bequest or share to the Phoenix Symphony Guild (dba Phoenix Youth Symphony), Phoenix, Arizona, to be used for its general purposes.

Gifts of Retirement Plan Assets

On average, a person works more than forty years to accumulate retirement investments that provide future income for them and their loved ones and spends ten years conserving what has been earned, but rarely spends much time planning for the distribution of those assets.

Funds remaining in your retirement plan at your death potentially may be subject to double taxation. Most retirement plans are income tax deferred, meaning you do not pay income tax on the funds contributed to your plan or on the growth of the assets within the fund. Instead, distributions are subject to income tax when received. If your estate is taxable, the assets in your retirement plans will also be subject to estate tax.

With the growth of retirement fund investments over a lengthy period, such investments may provide convenient gift opportunities. For example, if you have reached age 70 and one-half, you are required to take distributions from the plan under a formula based on your life expectancy and pay income taxes on such distribution. However, you may elect to transfer up to $100,000 of such distribution to PYS without having to take and report such withdrawal as a taxable distribution.
You may also designate any excess or remaining amount in your retirement funds as a charitable gift by requesting a change in your beneficiary designation.

In either case, if PYS is named as the beneficiary of part of your retirement plan, the portion of your gift allocated to PYS will not be subject to income tax, since PYS is a tax-exempt organization.

Gifts of Insurance Policies

A gift of life insurance can be another charitable giving option. PYS accepts gifts of life insurance either as the beneficiary of a policy or as the sole owner and sole beneficiary. Either way, we can use these gifts to provide ongoing support for our youth programs.

If you chose this method of giving, you can name PYS as primary beneficiary of your life insurance policy or as a contingent beneficiary, should your other beneficiaries not survive you. After your lifetime, the benefits from your policy pass to PYS free of federal income and estate taxes.

Changing your beneficiaries is easy. Simply contact your insurance carrier or agent and request a beneficiary change form. Since you can change your beneficiary designations at any time, naming PYS as a beneficiary does not qualify for a current charitable income tax deduction.

You can also donate your paid-up life insurance to PYS. When you make a gift of a whole life policy that is fully paid up, your charitable deduction is measured by your policy's replacement cost or your cost basis, whichever is less. If your policy is not fully paid up, your deduction cannot exceed your cost basis. The exact value in either case can be obtained from your insurance company. An outright gift of life insurance usually qualifies for the maximum charitable deduction limitation of 50% of your adjusted gross income.

Gifts That Provide You with a Lifetime Income

There are several gift plans that enable you to make a gift to a non-profit organization like PYS that provide continuing payment for yourself or others. By utilizing these plans, you may also increase your spendable funds through tax benefits and diversification of assets. These plans each offer distinct advantages by allowing you to tailor your giving to meet your personal needs and to achieve your financial goals.

These plans all potentially offer current income tax deductions, and all provide the opportunity to avoid or reduce capital gain taxes if appreciated property is used to make the gift. Each plan can be shaped to help you reduce or eliminate gift and estate taxes.

With these plans, the remainder of your gift is available to PYS only after the payment period you select is completed. You can even designate how the remainder will ultimately be used.

Although most of these gift plans are created during the benefactor's lifetime, some can also be established through your will. Such testamentary gift plans serve to reduce estate taxes and may accomplish other personal and financial goals.
Careful planning with your advisors is important to evaluate the effectiveness of these plans for your unique situation.

Examples of these plans include:

• Charitable Remainder Trusts - A gift arrangement that enables you to contribute to PYS while providing payments for a lifetime or for a fixed number of years to you and/or someone important to you. A charitable remainder trust can be tailored to your assets, income requirements and financial objectives. Upon termination of the trust, the principal is distributed to PYS.

• Charitable Gift Annuity – A popular method of making a planned charitable gift. Under this plan, you make a gift of cash or securities to PYS in the minimum amount of $5,000. PYS formally promises to pay you a fixed percentage of the value of your gift for the lifetimes of up to two individuals. You may, but do not have to be, one of the annuitants. Most annuitants select a quarterly payment schedule and have payments direct deposited to their checking account. You also receive an immediate income tax deduction based on the difference between the rate paid by the charitable annuity and the rate paid by a comparable commercial annuity. An additional advantage of this plan is that part of each payment you receive will be tax-free return of principal. Your gift annuity rate is determined by age(s) of the annuitant(s). This makes the gift annuity more attractive for older donors.

• Deferred Gift Annuity – A variation of the gift annuity is the deferred payment charitable gift annuity. It is designed to appeal to younger donors who desire the benefits of a current income tax deduction and want to supplement their future retirement income.

You may make gifts for deferred annuities in a single transfer, in a series of transfers, or in periodic transfers during especially high-income years. The payment will be paid to you starting on a future date you specify, on or after your 65th birthday. The benefits of a deferred annuity are the same as for an immediate charitable gift annuity; however, deferring the payments usually results in larger annuity payments.

The information contained herein is illustrational only and does not constitute legal advice. Please discuss your tax planning options with a qualified tax professional. If you need additional assistance, you may contact PYS as indicated below, or your legal advisor.

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