

# Guide to Charitable Estate Planning

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## ***Opequon Presbyterian Church***

“Prayerfully Equipping All Disciples of all Generations to be Christ’s Hands, Heart, and Feet to the World”

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## **Estate Planning**

Estate Planning offers Opequon Presbyterian Church members and friends the opportunity to make a statement of faith that will last more than your lifetime. This pamphlet provides information to allow you the opportunity to leave an indelible mark on Opequon or one of its mission programs. Even a small asset can become a gift that will support your choices in perpetuity.

The objective of this pamphlet is to provide information that can help you identify these opportunities as part of your estate planning. Equipped with information you can talk to your financial or legal advisor and more fully evaluate and discuss these opportunities.

## **Definition of Estate Planning**

The Presbyterian Foundation defines Estate Planning as: Estate Planning is the process of managing accumulated assets for the present and the future. It is a written expression of your intentions for the protection and preservation of your assets during your lifetime and their management and distribution upon your death.

A will is the cornerstone of a sound plan, but on its own does not make an estate plan. A good estate plan should include: decisions regarding guardianship for dependent children; power of attorney for our finances should you become incapacitated; and a healthcare proxy with the responsibility of making medical decisions on your behalf, if necessary. A living will directive stating your wishes for life support should also be considered to eliminate this difficult decision from loved ones.

Reducing estate and probate taxes may also be a consideration when planning your estate, allowing you to pass along more to your loved ones and charity, with less to government. Frequently, married couples' assets are

held in joint ownership, so that when one partner dies the assets pass to the surviving spouse without going through probate. This is good in most cases, but for some it may be advantageous to consider a marital bypass trust to allow assets to pass to other heirs tax-free after the surviving spouse dies. Your financial or legal advisor can provide you with more details on these issues.

## **Wills**

The most important aspect of Estate Planning is the writing of your will. Most people write a will when they get married, but life circumstances dictate reviewing it periodically, e.g.; birth or adoption of children, children leave home or get married, loss of a spouse or loved one, divorce, change in financial situation or holdings. It is never too early to write a will but is sometimes too late. Without a will a probate court will make decisions about the distribution of your assets and even appoint guardianship of any survivor left in your care. This means that a court would make decisions for your family and no assets could be given to any charitable organization no matter how important that was to you during your lifetime.

## **Alternatives**

There are many ways to give to Opequon Presbyterian Church:

- Direct Giving (e.g., a gift to the General Fund)
- A Bequest to the Opequon Endowment Fund
- Appreciated Securities
- Life Insurance
- Retirement Plan (e.g., 401(k) or 403(b))
- Real Estate

## **Direct Giving**

During your lifetime and as part of your estate planning you should consider giving to the OPC General Fund to support the ongoing activities of the church, or to specific Mission Projects or other activities sponsored by Opequon. As Christians we are encouraged to increase our annual giving to achieve a “tithe” or 10% of our income for the work of the church.

## **A Bequest to Opequon’s Endowment Fund**

Opequon has established an Endowment Fund that is invested for the future use of the church. The principal grows and the Session from time to time may use the earnings of the Fund while keeping the principal intact. Gifts to the OPC Endowment Fund can be made during your lifetime or through a bequest in your will. A gift can be an enduring tribute to a spouse, family member or loved one, a memorial. You or your heirs can also contribute additional gifts to the Fund after it is established. A gift to the OPC Endowment fund can provide continuous financial support for mission activities, evangelism, peacemaking, music, education or other worthwhile activity. This can be a lasting legacy to one’s faith and love.

## **Appreciated Securities**

If you have accumulated stocks or bonds over a long period of time and want to reduce your tax liability in cashing them out, you can donate them. This avoids the long-term capital gains tax plus usually allows you to deduct the fair market value of the stock given to OPC. You must transfer shares directly to OPC (do not sell, redeem, or exchange yourself). If you sell from your account, the gift then becomes a cash gift rather than a gift of securities and you will be personally responsible for the capital gains tax.

## Life Insurance

You can use life insurance to make a gift to the OPC General Fund or Endowment Fund in one of several ways:

- You can name OPC as a beneficiary on an existing life insurance policy. Since you have the power to change or revoke this beneficiary, no charitable contribution is allowed.
- You can transfer the ownership of the insurance policy to OPC. This allows you to claim a charitable deduction for the approximate cash surrender value of the policy. Once you make this gift, the policy is then owned by OPC.
- You can purchase a new insurance policy in order to make a charitable gift to OPC. A policy that is given to OPC that continues to require premium payments may allow you to declare premiums you continue to pay as tax-deductible gifts.

## Retirement Plans

A typical retirement plan, e.g., 401(k) or 403(b) can accumulate significant value over time. Beneficiaries of your account balance will be subject to federal income tax upon receipt.

There are several options to avoid taxes:

- If you are over 59 ½ you can have a distribution sent directly to OPC as a Direct Gift, for example satisfying your Annual Pledge to the General Fund without paying a 10% withdrawal penalty. Over age 73 you can have up to \$108,000 of your Required Minimum Distribution (RMD) sent directly to OPC as a Qualified Charitable Distribution reducing the tax on your RMD (several members already do this).
- You can designate OPC as a beneficiary of your retirement account. You and your heirs may therefore reduce future income and estate tax liabilities.
- You can establish a Charitable Remainder Trust and provide lifetime income to a person you select (such as your spouse) with the balance after that person's lifetime going to OPC. Your estate may be entitled to a charitable contribution deduction. This would require legal advice to establish.

## Real Estate

To avoid capital gains on sizable real estate that has been held for many years, you can gift the real estate to OPC. This could include a property you rent out, or a beach house you no longer use. A gift of real estate will result in tax savings since you may receive a charitable income tax deduction for the appraised value of the property, and capital gains tax avoided if OPC sells the property. The property should be readily marketable, but a sale should not be prearranged. If the property has decreased in value, it should be sold and a gift of the proceeds made to OPC. This could result in a deductible capital loss from your taxable income as well as a charitable donation for the amount of the gift.

*For more information or questions please contact Ron Smith, Treasurer, at 703-216-9588 or [ronaldsmith1@gmail.com](mailto:ronaldsmith1@gmail.com).*

*"It is more blessed to give than to receive"      Acts 20:35*

*"Whoever sows generously will also reap generously; God loves a cheerful giver"      2 Corinthians 9:6-7*

