



**A Guide to Planned Gifts
LEGACY GIFT THAT TOUCH LIVES, FOREVER.**

The Community Foundation for Loudoun and Northern Fauquier Counties is dedicated to connecting people who care with causes that matter through everlasting endowment.

This literature discusses a variety of planned gifts, as well as the desirability of consulting with the Community Foundation for Loudoun and Northern Fauquier Counties before a planned gift is made. Planned gifts are an extraordinary way to leave a lasting legacy to honor you, your family, and your community. Often, the Community Foundation for Loudoun and Northern Fauquier Counties will not receive a planned gift for years to come.

We work hand in hand with Professional Advisors and Wealth Managers. It's the best way to make certain each charitable vision is crystal clear, ensure the tax deductibility of a gift, and build personalized legacy.

The "Shell Agreement"

Community Foundation for Loudoun and Northern Fauquier Counties is available to work with you and your financial advisors to set up what we call a "shell agreement." A shell agreement is a nonbinding agreement that specifies how your planned gift shall be used once it is irrevocably received. In the shell agreement, you name your fund, outline your charitable vision, and decide whether donor advisors, or the Community Foundation Board of Directors, will recommend future grants. Gifts received from your planned gift will be placed into your fund exactly as you have named and designed it. We handle all future administrative details.

When you create a planned gift using a shell agreement, revisions are easy, quick, and free. Just get in touch with representatives at the Community Foundation for Loudoun and Northern Fauquier Counties.

Life-estate planning benefits you most when professionals are consulted. We strongly encourage you to include your attorney and tax advisors as well as representatives from the Community Foundation for Loudoun and Northern Fauquier Counties as you develop your gift plans.

Please let us know of your legacy planning.

We'd like to acknowledge your visionary giving within our Legacy Society, a distinguished circle of philanthropists who think of their community by giving through wills and other planned giving instruments.

Bequests

Bequests naming the Community Foundation for Loudoun and Northern Fauquier Counties are one of the simplest ways you can provide for the future of your community and the charities you support. Gifts to the Community Foundation for Loudoun and Northern Fauquier Counties are completely exempt from estate taxes. And, your charitable vision is secure, for good, forever.

Here are some common ways that bequests are created:

A residuary bequest provides for the assignment of assets remaining in your estate after other expenses and bequests have been satisfied.

A remainder bequest allows for some portion of your estate to be set aside, before bequests are satisfied, to provide income to a surviving spouse or other heirs for a period of years or for the lifetime of the beneficiary. Once those obligations are concluded, the Community Foundation for Loudoun and Northern Fauquier Counties receives the remainder of the estate and begins making grant distributions in your name.

A contingency bequest provides for the charitable bequest only if other beneficiaries, such as a spouse, do not survive you.

Here's how it works... You include a gift to the Community Foundation for Loudoun and Northern Fauquier Counties in your will as a bequest. We can help your attorney with specific language.

Useful Information:

- Legal Title: Community Foundation for Loudoun and Northern Fauquier Counties
- Post Office Box 342, Leesburg, VA 20178
- Federal Tax Identification number: 54-1950727
- Sample Bequest language (to be reviewed by your attorney) ties to your shell agreement:

"I hereby devise _____ percent (____%) of my residual estate to the Community Foundation for Loudoun and Northern Fauquier Counties located in Middleburg, Virginia, to be added to the Community Foundation for Loudoun and Northern Fauquier Counties _____ Fund established by that certain letter dated _____, 20XX."

"I hereby devise \$_____ of my estate to the Community Foundation for Loudoun and Northern Fauquier Counties located in Middleburg, Virginia, to be added to the Community Foundation for Loudoun and Northern Fauquier Counties _____ Fund established by that certain letter dated _____, 200X."

Remember, you can change your shell agreement anytime, with no cost or legal fees. Just get in touch with us.

Please notify us of your bequest gift. We'd like to acknowledge your far-thinking support in our Legacy Society.

Memorial Gifts

When faced with a personal loss, family and friends want a means to honor and memorialize a loved one. Establishing a memorial endowment fund with Community Foundation for Loudoun and Northern Fauquier Counties offers a way to turn memorial gifts into a lasting legacy that make a difference in your community and reflect the values of your loved one.

A variety of options exist. Memorial gifts may be made to an existing fund in the Community Foundation. Or, starting you own fund, named for your loved one, includes the opportunity to create the fund with a personal charitable vision. Designing your own fund supports special causes, needs in the community, or specific charities.

*Here's how it works...*To direct memorial gifts to an existing fund, direct those who wish to make a gift to Community Foundation for Loudoun and Northern Fauquier Counties and the name of the fund. To create a special and unique fund in memory of a loved one, contact the Community Foundation for Loudoun and Northern Fauquier Counties. Such funds are remarkably easy to execute, and staff is here to help.

Gifts of Life Insurance

A gift of life insurance can be a superb way to create your charitable legacy. Please talk with us prior to a gift of life insurance.

There are multiple ways to make gifts of life insurance.

The Irrevocable Gift of Life Insurance

In order to ensure tax deductibility of qualifying irrevocable gifts of life insurance, a qualified appraisal of your policy may be necessary. When required, an appraisal must be performed no more than 60 days before the gift and no later than the due date for filing your income tax return. A charitable income tax deduction is disallowed in the absence of an appraisal. Be sure to consult your insurance professionals and the Community Foundation.

The "Paid-Up" Policy. If you have a life insurance policy that requires no additional premium payments—a "paid-up" policy—it can be donated to the Community Foundation for Loudoun and Northern Fauquier Counties. By irrevocably assigning ownership of the policy to a qualified nonprofit institution like the Community Foundation, you have made a completed charitable gift. Since the policy no longer belongs to you, you can take a charitable tax deduction equal to the lesser of the replacement value of the policy or your cost basis in the policy.

Executing A Brand New Policy. To make a gift of a new policy, work with your insurance agent and the Community Foundation for Loudoun and Northern Fauquier Counties to assign the policy to the Community Foundation and set the terms of the policy. Once all parties are in agreement, make a gift to the Community Foundation for Loudoun and Northern Fauquier Counties for the first premium payment. Future premium payments should be made as gifts each year to the Community Foundation. Should you decide to stop making payments, the Community Foundation has

complete leverage to cash out the value of the policy at that time.

An Existing Policy that Requires Additional Premium Payments. If the policy you give, irrevocably, to the Community Foundation for Loudoun and Northern Fauquier Counties still requires regular premium payments, the charitable deduction is generally equal to the lesser of something called the interpolated terminal reserve and your cost basis in the policy. The interpolated terminal reserve is an amount slightly larger than the cash surrender value of the policy, plus a portion of the last premium paid before the gift was irrevocably made. If you continue to pay the premiums after the Community Foundation owns the policy, your payments qualify as gifts of cash to the Community Foundation.

Employer Term Life Insurance. If your employer provides group term life insurance coverage for you in excess of \$50,000, your taxable income most likely includes the cost of the premium for the excess amount. If you name the Community Foundation as the sole beneficiary of the death benefit in excess of \$50,000, you will not be taxed on the premium cost.

*Here's how it works...*To make a gift of a life insurance policy, work closely with your insurance agent and the Community Foundation for Loudoun and Northern Fauquier Counties, since each there are a variety of possible life insurance gifts and the requirement for a qualified appraisal varies.

The Revocable Gift of Life Insurance. One of the rights you have as owner of a life insurance policy is to decide who receives the proceeds when you die. Frequently, policies name a spouse, children, parents, relatives, or friends as the beneficiaries. However, it is also possible to name one or more nonprofit institutions, such as your Community Foundation as a beneficiary.

There are no income tax benefits when you name the Community Foundation as beneficiary of a *revocable* gift of your life insurance policy because the gift is not considered "completed." However, the distribution to the Community Foundation is removed from any estate taxes.

Here's how it works . . . To Make a Revocable Gift to the Community Foundation, ask your insurance company or agent for a change of beneficiary form. Fill out the form to let the company know whom you want as the new beneficiary and how much of the proceeds are to be gifted.

Life insurance is a wonderful way to make a gift to the Community Foundation for Loudoun and Northern Fauquier Counties, while preserving existing assets for your family and heirs.

Please notify us of your life insurance gift. We'd like to acknowledge your far-thinking support in our Legacy Society.

Gifts of Real Estate

Individuals who wish to make a major contribution to support the Community Foundation for Loudoun and Northern Fauquier Counties should consider a gift of real estate. There are significant tax advantages for such gifts, and it is sometimes possible to convert land and other real property into an income stream.

Please talk with us prior to making a gift of real estate. In order to ensure tax deductibility, a qualified appraisal of your real estate is necessary. The appraisal must be performed no more than 60 days before the gift and no later than the due date for filing your income tax return. A charitable income tax deduction is disallowed in the absence of an appraisal. The Community Foundation requires a Phase One Environmental Site Assessment and other site reviews before acceptance of real estate gifts. Providing ample time for the Community Foundation to review, consider, and indicate acceptance of such a gift is critical.

Typical donors of real estate have some of the following characteristics in common:

- ✓ They have a strong desire to support their community
- ✓ They own land appreciated in value
- ✓ Heirs are provided for or prefer a cash inheritance rather than real estate
- ✓ They seek to reduce their estate taxes
- ✓ They have a desire for a sizable income tax charitable deduction
- ✓ They need increased income now and in the future
- ✓ They wish to avoid paying capital gains taxes

Here's how it works . . . Ways to make a gift of real estate include:

- An outright gift made immediately. Such a gift maximizes the income tax charitable deduction and removes the property from the donor's taxable estate.

- A simple bequest of real estate. By leaving real property to the Community Foundation in your will, you avoid the value of the property being taxed in your estate.
- A gift of a remainder interest in a residence or farm. You deed the property to the Community Foundation now, and retain the right to continue to live in the residence for your remaining lifetime. One or more life tenants can benefit, and need not be related.
- A gift of real estate to a charitable remainder unitrust. A selected trustee reinvests the sale proceeds in order to pay the donor income either for life or for a term of years.

Gifts of Real Estate—Important Issues to Consider

A signed appraisal by a qualified third party is required to support a gift of real estate tax deduction. Donors are responsible for getting, and paying for, a fair market value appraisal. Donors should understand that if the Community Foundation sells the real estate within two years—which usually will be the case—a Form 8282 is filed with the IRS. If there is a significant discrepancy between the sale price on this form and the valuation claimed for tax purposes, the IRS may question the deduction.

Further complications arise if mortgaged property is donated. The transaction is likely to be treated as a bargain sale if the property is encumbered. Under the bargain sale rules, a contribution of such property is treated as part-sale and part-gift, reducing the tax deduction.

Please notify us of your real estate gift. We'd like to acknowledge your far-thinking support in our Legacy Society.

Gifts of Closely Held Stock

Many donors are familiar with making a gift of publicly traded stock and the many benefits it offers, and the Community Foundation for Loudoun and Northern Fauquier Counties welcomes such gifts and all the advantages they offer to you. The Community Foundation also is interested in gifts of closely held stock.

Quite frequently, much of an entrepreneur's personal net worth is in the form of

highly appreciated, closely held stock, which, if sold, would trigger a large capital gains tax. For philanthropically-inclined business owners, making gifts of closely held stock to the Community Foundation presents an extremely attractive option for both maximizing the size of their charitable contribution and for reducing their own personal income and potential estate taxes.

Because closely held stock is not publicly traded, arriving at a valuation is a key part of the process. The Internal Revenue Service requires all gifts of privately held stock greater than \$10,000 receive a written, independent appraisal in order for the donor to claim a charitable deduction no more than 60 days before the gift transfer and no later than the due date for filing your income tax return. The appraisal can be provided by either a CPA qualified to perform appraisals or by an independent appraisal valuation firm. A charitable income tax deduction is disallowed in the absence of an appraisal. Once value is established, the donor transfers his or her stock to the Community Foundation for Loudoun and Northern Fauquier Counties, which holds the stock for an indefinite period of time.

Since those shares are illiquid, the foundation will need to sell the shares in order to raise the cash needed to make grants on the gift.

The benefits of a gift of closely held stock are not unlike those of appreciated, publicly traded securities. Again, you save taxes twice: first with a personal income tax deduction for the fair market value of the stock, and second when you avoid capital gains tax on the appreciation.

Here's how it works . . . A gift of closely held stock is a gift that must be carefully planned and will involve special consideration by our Gift Acceptance Committee to ensure future liquidity of the gift. The Community Foundation for Loudoun and Northern Fauquier Counties is very interested in working with you. Please be sure to talk with us early on, and allow plenty of time to transact such a gift.

Gifts of Closely Held Stock — Issues to Consider

A donor who makes a gift of Closely Held Stock cannot restrict the charitable organization's right to use or dispose of the property.

Donors are responsible for getting, and paying for, a fair market value appraisal. Donors should understand that, if the Community Foundation sells the closely held stock within two years, which may be the case, a Form 8282 is filed with the IRS. If there is a significant discrepancy between the sale price on this form and the valuation claimed for tax purposes, the IRS may question the deduction.

A gift of closely held stock with a pre-existing “binding agreement” to sell the company disallows all tax-deduction value of such a gift. Such a gift would be characterized by the IRS as an “anticipatory assignment of income” and result in the gift being treated as a sale of stock by the donor, triggering a taxable capital gain on the appreciated shares. Similarly, a gift of closely held stock cannot include an *obligation* on the part of the foundation to sell the stock back to the donor.

Further, the Community Foundation for Loudoun and Northern Fauquier Counties is limited by law for gifts of closely held stock placed in a Donor Advised Fund. Talk with us for the details.

The Community Foundation for Loudoun and Northern Fauquier Counties may refuse any offered gift of Closely Held Stock that is judged not in the best interests of the Community Foundation.

Please notify us of your closely held stock gift. We’d like to acknowledge your far-thinking support in our Legacy Society.

Charitable Remainder Trusts

A Charitable Remainder Trust, or CRT, offers an excellent way to make a charitable gift while also generating income for you. You make an irrevocable gift of an asset (cash, securities, real estate, or closely held stock) to a trust and name the Community Foundation for Loudoun and Northern Fauquier Counties as the charitable beneficiary. The trust most likely will sell those assets. A sale by the trust is free from capital-gains taxes establishing the monetary principal of the trust. Then, you are paid an income based either on a fixed percentage of the annual value of the trust (a “unitrust”) or a fixed percentage based on the initial value of the trust (an “annuity trust”).

With either a unitrust or an annuity trust, you receive income either for a designated number of years or for your lifetime. You can also provide income during the life of a spouse, children, or other designated party. Upon the

deaths of all designated beneficiaries or at the end of the designated number of years, the assets of the CRT become a final gift to the Community Foundation to become your ultimate charitable vision.

The value of the income tax deduction is computed based on the value of the gift assets, minus the value of the “life interest” in income earnings from the CRT. This interest varies according to your age, fixed percentage, and whether you are the sole income beneficiary or if there are multiple beneficiaries.

Another significant tax benefit applies when you create a CRT with appreciated assets, such as real estate or gifts of stock. You pay no capital gains tax on your transferred gift while your CRT is established at the fully appreciated value.

CRTs offer significant tax advantages. You are entitled to a maximum tax deduction of the contribution value of the gift, up to 50% of adjusted gross income. If that deduction exceeds your deductibility limit in the year of the gift, an additional tax deduction for the remainder may be taken in a subsequent year, for up to five years.

Charitable Lead Trust

The charitable lead trust, or CLT, is the converse of the charitable remainder trust. In a charitable lead trust, you transfer assets to a trust that provides payment of the income interest to the Community Foundation for a period of years, or, for the life or lives of you and/or certain others. Upon expiration of the period, the trust provides that the remainder funds either reverts to you, or passes to your spouse, children or others.

In order to gain an income tax deduction, the CLT must provide for payments of income based either on a fixed percentage of the annual value of the trust (a “unitrust”), or a fixed percentage of the initial value of the trust (an “annuity trust”). Also, you must be treated as the owner of the income interest under the income tax rules.

As a general rule, a CLT is best utilized to minimize estate and generation-skipping transfer taxes imposed upon your transfer of property to another, rather than as an instrument to secure an income tax deduction. When a CLT is funded, the taxable transfer is reduced by the present value of the intervening income interest. Because of this result, it is possible to leverage the unified credit against the estate and gift tax to reduce a transfer of property to heirs

that would, but for the intervening income interest, be valued and taxed at a greater amount.

Charitable Lead Trusts offer significant tax advantages. You can transfer more value to your heirs free of estate and gift tax and can provide profound support to the Community Foundation for Loudoun and Northern Fauquier Counties.

Please notify us of your gift made with a Charitable Remainder or Charitable Lead Trust. We'd like to acknowledge your far-thinking support in our Legacy Society.



Call us or use this form to let the Community Foundation for Loudoun and Northern Fauquier Counties know of your interests or Legacy Society gifts.

I/We have made a provision for the Community Foundation in my/our estate plans and wish to be included in the Legacy Society. We are pleased to allow our names to be listed as Society members.

Please print your name(s) as you wish them to be listed

Signature(s)

Date

Please contact me about setting up a "Shell Agreement" for my Legacy Gift.

Address and Phone

10 reasons why people choose to give through the
Community Foundation for Loudoun and Northern Fauquier Counties . . .

1. Community Foundation for Loudoun and Northern Fauquier Counties is all about home and community: local needs, local assets, local leadership (and yet, our donors are also welcome to make grants across America).
2. We specialize in high-touch donor services with fantastically low overhead.
3. We build endowment legacies that honor your name, your family, and your vision, forever.
4. We're adept at accepting a range of assets, from real estate, to closely held stock, to outright gifts.
5. We partner with your accountant and legal advisor to ensure your charitable giving is cost-effective and intelligently planned.
6. We encourage our donors and their successors to stay actively involved in grantmaking, or enable them to rest assured their charitable vision will be carried out for generations long after they're gone.
7. We offer maximal tax advantages.
8. We multiply the impact of your gifts by pooling them with other grants and investments.
9. We are an involved organizational "citizen" and leader.
10. We have broad expertise regarding the charitable needs, programs, and initiatives in our community, connecting people who care with causes that matter.

OUR MISSION is to connect people who care with causes that matter in Loudoun and Northern Fauquier Counties and surrounding areas. Your vision and our stewardship build permanent investment resources to benefit our community, for good, forever.



Post Office Box 342 Leesburg, Virginia 20178; Post Office Box 402
Middleburg, Virginia 20118

703-779-3505

Contact Amy Owen, executive director amy@communityfoundationlf.org