

A Planned Giving Program for Friends of the River Management Society"

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Summary

The River Management Society (RMS) encourages supporters to consider including our organization into your planned giving. Congress has structured our nation's tax laws to promote gift giving to tax-exempt charitable organizations like the RMS and, if properly structured, can reduce both your income tax and taxes on your estate. Congress has authorized the use of various trusts which qualify for both deductions to income and estate taxes while providing an income stream to donors, and ultimately, a gift to the RMS. These trusts can also work in reverse to provide income to the RMS with a transfer to your children or other beneficiaries upon your death. Trusts can provide you with immediate income tax relief and substantially reduce the tax on your estate. These tax breaks can reduce out-of-pocket costs of gifts to the RMS. If you are interested in avoiding taxes and supporting the RMS, you should examine the comprehensive discussion which follows this summary. Remember to always discuss your plans with a qualified financial, legal, and tax advisor before you commit to any planned giving program.

"To give away money is an easy matter and in any man's power. But to decide to whom to give it, and how large, and when, and for what purpose and how, is neither in every man's power nor an easy matter." - Aristotle

"Estate planning - once reserved for the wealthy or elderly - is now a good idea for everyone."

"Every man just as he determines in his heart, so let him give; not grudgingly, or of necessity: for God loves a cheerful giver." 2 Corinthians 9.7

"Choice, one of our greatest freedoms and time the keeper of decisions--our lives are but a reflection of choices made." - Gary G. Marsh

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This Planned Giving Program and website is courtesy of the River Management Society (hereafter referred to as RMS) Fundraising Committee.

ALWAYS SEEK COUNSEL. Regardless of how worthy your intentions are, it is always wise to discuss your charitable gift plans with financial, legal, tax, and charitable organization advisors, especially the more complex transactions concerning tangible personal property, remainder interest in residences/farms, gift by estate distribution, or bargain sale options. There is no better way to ensure your wishes are both realistic and prudent. Be prepared to confidentially address financial and personal goals with regard to your charitable giving interests, what you want to give, the timing of your gift and how a gift is to be made. By asking many questions, you can better determine what suits your needs while benefiting the RMS. Since this program and its associated guidelines is new to the RMS, it will take time to mature in terms of sophistication and expertise. Each donation and donor will be evaluated on a case-by-case basis.

Introduction

Americans have a long history of philanthropy. It is estimated that some 90 percent of American households report making charitable contributions on an annual basis. But too often, people give with little forethought. They may feel pressured by a telemarketer, respond to advertisements on a purely emotional level, or continue to give because they have in the past. While the spirit of giving is commendable, giving in a haphazard way could mean a gift may not have the impact it could. Think of your charitable giving as a part of

your financial planning. Just as you research your investments and personal finances, you may want to weigh the RMS to make the best use of your contributions.

If you are between 42 and 60 years of age, the National Association of Baby Boomers calls you one of its own. By some estimates, \$41 to \$136 trillion will be passed down to you from the estates your parents distribute. At some point, we all reflect on the past and look to the future in ways we can contribute to our families, our jobs, our society, and our legacy. Many seek to make a lasting contribution or impression through our families, avocations, hobbies or interests. One of the best ways to perpetuate a legacy is through planned giving to important causes or organizations.

YOU CAN PERPETUATE YOUR LEGACY!!!

Through this program you have a full range of options and types of donation opportunities to the RMS. Through sound financial planning and individual portfolio assessment, members may use their wills, trusts, endowments, retirement and tax benefit options. Listed below are established mechanisms and guidelines within the RMS Planned Giving Program. Also refer to the "Ten Charitable Resolutions for the Philanthropically Inclined," contained at the end of this webpage.

Combined Federal Campaign (CFC)

Any federal employee and many others can contribute to the RMS through their workplace. In many cases, employers may match your gifts. Annual direct contributions through the CFC can be made to the RMS as a beneficiary by using code 2928 [EIN # 31-1297130]. Also, check to see if your employer will match your charitable contribution. In addition to these funds, the RMS also receives a percentage of undesignated funds based on any targeted giving through the CFC to the RMS. Visit the website at <http://www.cfcncra.org> for more information. Should you have questions feel free to contact the RMS Headquarters in Missoula, MT.

RMS Scholarship Fund

Agencies, institutions, or individuals may contribute funds to the RMS (members only) scholarship account. This account provides RMS members (professional and lifetime members only) opportunities (travel/per diem) to attend professional conferences, meetings, workshops and/or training which may enhance river programs, river resources, and/or their career. The fund is managed by a RMS scholarship selection committee (made up of the RMS Chapter Presidents, RMS Program Director and National Vice-President who is chair of the committee) who award funding grants after an evaluation of the merits of the application, cost-effectiveness, and ability to leverage funds. Applicants must meet requirements and submit their nomination(s) via e-mail three to six months in advance through their Chapter President. Applications are reviewed quarterly (in January, April, July and October) by the RMS Scholarship Selection Committee. Members can visit the website at <http://www.river-management.org/scholarships.asp>.

Sponsorship

RMS accepts and encourages sponsorships from agencies, companies, organizations or individuals which are supportive of the

RMS Mission (To support professionals who study, protect, and manage North America's rivers), Strategic Plan, goals and objectives. Sponsorship requests at and above \$500 must be reviewed and approved by the RMS Board of Directors. Requests may be made to any RMS member, officer, or Chapter President or through contacting the RMS Main Office. RMS hosts a biennial symposium and in alternate year's supports interagency and agency river management workshops or ranger rendezvous meetings. RMS has significant expertise in planning, organizing, conducting and/or hosting meetings, symposia, and/or workshops involving river management issues. Sponsorships also include special projects, in-kind or other financial support including equipment, entertainment, lodging, travel assistance, financial assistance, and other logistical support. Sponsors may promote their business or causes via linking to the RMS website (where compatible and appropriate with the RMS Mission) for a minimal fee. Sponsorship categories from \$1,000 to \$50,000 (or greater) are available.

Internships

RMS often seeks qualified college and graduate students who would like to work on river management projects to complement or supplement their academic course work. Seasonal and part-time internships may be available to assist the RMS Program Director in any given year. Administrative duties may also be followed by in-the-field opportunities with a river manager. Contact the RMS Program Director at P.O. Box 9048, Missoula, Montana 59807-9048, Phone 406-549-0514, or e-mail: rms@river-management.org.

Volunteerism

RMS is a volunteer organization for the most part and ranks high with members and officers of the organization. Feel free to contact any member, Chapter or Board Officer or RMS Program Director at any time for participating in chapter activities and other ongoing projects.

Gifts of Cash

Click on the "Donate to RMS" button at the top of this site for payment by check, purchase order, or credit card. Donations by cash, check, money order, or credit card are deductible if you itemize your taxes in the year you make the contribution - up to 50 percent of your adjusted gross income (AGI). By timing your gift before December 31, you will see a tax break for the year you itemize deductions on your tax return. The postmark date (for checks) or the day the credit card charge is authorized is considered the gift date. Any excess deductions can be carried forward for the next 5 years. If you are in the 28 percent tax bracket, the cost of a \$10,000 cash gift is only \$7,200 because your taxes are reduced by \$2,800. If you typically make annual cash donations, you might want to consider endowing your gift, which allows it to continue in perpetuity (see chart below).

How to turn an annual donation into a forever gift (these figures reflect a 5 percent annual return on your investment)

If you annually donate:	You can perpetuate your donation with a gift of at least:
\$100	\$2,000
\$200	\$4,000

\$300	\$6,000
\$500	\$10,000
\$1,000	\$20,000
\$2,000	\$40,000
\$5,000	\$100,000

Q. What is the federal gift tax and how does it work?

A. The federal government places a tax on gifts you make to other people during your lifetime. Each year, however, you may give up to \$12,000 to as many people as you like (\$24,000 for "split gifts" by a married couple) and not be subject to a gift tax. Under current tax law, any gift tax liability for gifts above \$12,000 is sheltered by the unified credit of \$2,000,000 of gifts and of your estate from gift or estate tax liability. The exclusion amount remains at \$2 million until 2009 when it will increase to \$3.5 million. Generally, the donor, not the recipient – is responsible for the tax, and must file a gift tax return, but unless the exclusion amount is exceeded, no tax is due. If required, your gift tax return is due the same time as your income tax return. The good news is that all transfers to your spouse or to a non-profit organization, such as the RMS, can be made tax-free.

Gifts of Merchandise

Visit the RMS online store for acquiring [merchandise](#) items and gift certificates.

Gifts of Securities or Property

Gifts of appreciated securities (individual stocks, bonds, mutual funds, or certain types of appreciated property held for longer than one year) are a great way to support the RMS and receive multiple tax benefits at the same time. If you are considering a significant charitable gift, you should look first to your stock portfolio. Not only are stocks generally deductible from income tax at full fair market value, giving in this way enables you to bypass capital gains tax otherwise due if the donated assets were sold. For example, say you want to donate a stock you could deduct the entire market value of the stock, including the capital appreciation. Your result is a lower income tax (because you have deducted the gift amount from your income) up to a limit of 30 percent of your AGI, with a five-year carryover for any excess.

Other tax advantages when donating stock, as opposed to selling it, are: 1) If you believe the stock will continue to increase in value; you may donate it and use the cash you might have used to repurchase the same investment. In so doing, you continue to own the same security, but enjoy a new, higher cost basis. As a result, you could have less gain to report on a future sale at a higher value. 2) You may also benefit from deducting losses should the security decline in value in the future. By contrast, when you donate the stock to a non-profit organization such as the RMS, you are not subject to any capital gains tax on the appreciation. Securities held for more than a year make good charitable gifts because the donor receives a charitable income tax deduction for their full fair market value.

Stocks are easy to transfer. Instruct the broker to notify the RMS when the stocks have been transferred (mailed or electronically transferred to the RMS bank account) which can be done by creation of a temporary account in the RMS' name. Another method is for the donor to provide an RMS account number to which the

stocks should be sent. The date of the gift is when the securities are considered beyond the donor's power to regain control. Should the donor have actual possession of the physical securities (which is rare), they can be either hand-delivered or mailed to RMS. If mailed, the stock certificates and the stock power must be sent separately. The date of the gift is the day the envelopes are postmarked. If you use a private carrier to send them, the date of the gift is the day the RMS actually receives the stocks.

If you own investments that have decreased in value since you have owned them, consider selling them and making a charitable gift of all or a portion of the cash proceeds. In addition to an income tax deduction for the cash contribution, this creates a loss you may be able to deduct from other taxable income. The combined amount of the deductible loss and the charitable deduction could actually total more than the current value of the investment. Whether you make your gift in the form of cash or other property, deductions may reduce your taxes in as many as six years.

Outright Gifts

Many circumstances can motivate one to consider a gift of stock. Illustrated below are the possible savings which could result from a charitable donation using appreciated stock versus cash. Assume you have stock (held for more than one year), which you could sell for \$5,000, and it originally costs \$3,000. Due to appreciation, you have an untaxed capital gain of \$2,000. If your marginal income tax rate is 30 percent (20 percent on capital gains), the difference in net cost between giving cash or the stock can be significant:

Example

	Giving Cash	Giving Appreciated Stock
Value of gift	\$5,000	\$5,000
Tax savings from use of deduction (30 percent rate)	(\$1,500)	(\$1,500)
Tax savings from avoidance of capital gains (20 percent rate)	N/A	(\$ 400)
Net cost of cash gift	\$3,500	\$3,100
Cost as % of gift	70%	62%

If you have more appreciation in the contributed stock, or are in a higher combined federal and state tax bracket, your savings increase and the cost of your gift decreases. It also makes sense to use appreciated securities for charitable gifts, instead of cash, if you want to keep the securities as an investment. If this is the case, you could donate the securities to RMS and then buy new securities thus obtaining a new cost basis equal to the fair market value.

Charitable Trusts (Introduction)

The purpose of a trust is to set aside money or other assets to accomplish some financial objectives without the worry of money management. Charitable trusts offer the additional advantage of tangible economic benefits for the donor while providing for the RMS after the death of the donor(s). Some gift options produce income for the donor or the donor's named beneficiaries. Cash or other assets are donated to the charitable trust with the donor or other beneficiary(ies) receiving an income interest for life or a term of years. Charitable trusts come in several types, each of which are

designed to accomplish specific donor objectives and are discussed below.

The four most common charitable trusts are:

Charitable Remainder Annuity Trust (CRAT)
Charitable Remainder Unitrusts (CRUT)
Revocable Living Trusts
Charitable Lead Trusts

Charitable Remainder Annuity Trust (CRAT)

To establish a Charitable Remainder Annuity Trust (CRAT), the donor transfers cash or appreciated assets to a trustee to be held for the benefit of the RMS. During the donor's lifetime, the trustee makes guaranteed fixed payments (determined at the time the trust is established) to the donor. The donor may also be designated a second surviving beneficiary to receive the payments.

The CRAT is tax-exempt by virtue of the fact if there is a charitable beneficiary of the remainder interest, RMS becomes the beneficiary. Because of its versatility, the CRAT is one of the most popular life income vehicles.

Advantages include:

*You are entitled to an income tax deduction for the present value of the remainder interest.

*Any capital gain on appreciated assets is bypassed.

*You or other beneficiaries receive an income interest for life or a term of years.

*You help river managers by providing needed resources for services and programs.

You can use many different kinds of property and assets to fund CRATs. They are life income instruments where you or your trustee, financial advisor, or attorney retains control over the trust assets, within limits of the agreement. While CRATs are tax-exempt, the income produced is not necessarily so, depending on the type of asset producing the income. CRATs pay a fixed amount annually while the charitable remainder unitrusts (CRUTs - discussed below) pay a variable amount annually.

Rather than paying a percentage of the net fair market value of trust assets (revalued each year), the CRAT pays a fixed dollar amount, based on the initial fair market value of the property placed in the trust. CRATs are for those who want a fixed sum and do not want to worry about the vagaries of the market. This strategy can be carried even further if the trustee purchases high-quality corporate bonds. The purchase of tax-exempt bonds will yield tax-exempt income. In the CRAT, no matter how much the corpus grows, the annuity amount never changes, so it may not be appropriate where the funding assets are expected to appreciate. In general, CRATs are popular with conservative donors with conservative assets producing predictable income. Although circumstances vary, CRATs seem to favor older donors who are not worried about the ravages of inflation.

If you wish to reduce your dependence on equities, secure an increased and steady income and make a gift to the RMS, this might be the alternative for you. Of course, you would prefer to make this change without erosion due to capital gains tax. An appropriate and efficient solution is to select your most highly appreciated assets, or

those with the least potential for further growth, and transfer them to a CRAT. You must specify a set amount of annual income you (or another income beneficiary) would like to receive from the trust, which may actually end up being two or three times the dividend rate of the stock you transferred.

The income could last your lifetime (plus the lifetime of a subsequent income beneficiary, i.e., your spouse) or a term of years. A CRAT is a tax exempt trust that pays income to the donor's designee. After the trust term ends, the charity you name, e.g., the RMS receives the remainder of the assets in the trust. The year you establish the CRAT, you receive an income tax charitable deduction. This amount depends on the number of beneficiaries named to receive income from the trust, their life expectancies, the amount of income the CRAT will distribute to them (including how frequently the payments are made), and the current interest rate.

Examples: Jamie, age 75, places \$100,000 of stock currently generating \$1,200 per year (cost basis, \$70,000) in a one-life CRAT paying 6 percent in semi-annual installments (with an applicable federal interest rate at the time of 6 percent). So, she will receive \$6,000 annually. She is allowed a charitable deduction of \$55,948, which in her 30 percent tax bracket saves her \$16,784 of income tax. In addition, she avoids the capital gains tax on her \$30,000 appreciation in value, which amounts to a \$6,000 savings at the 20 percent tax rate. The net cost of the \$100,000 gift was only \$77,216, and she increased her income by \$4,800, or five times the original income stream.

Mr. and Mrs. Shaver, ages 65 and 60, use \$100,000 of appreciated stock to fund a six percent CRAT. They will receive an immediate income tax deduction for the present value of the remainder interest of the trust. They also will begin receiving payments of \$6,000 per year which will continue for as long as either one of them lives. After their deaths, the trust will terminate and the proceeds will be distributed to the RMS.

Charitable Remainder Unitrusts (CRUT)

A Charitable Remainder Unitrusts (CRUT) is similar in concept to a CRAT, but one key difference is unitrust payment amounts vary from year to year. CRUTs provide payments to the donor for life or a term of up to 20 years. At the end of the term, the remaining assets in the trust pass to the RMS. Once you establish a CRUT, the RMS must begin making regular payments to you, at least annually. They are determined by multiplying the percentage stipulated in the trust by the fair-market value of the assets which are revalued each year.

Example: If Mr. and Mrs. Jay had funded a CRUT instead of a CRAT (example above), they would still receive six percent of the total funds each year, but the amount of their payments would vary as the value of the assets in the trust increased or decreased. By the end of the first year, assuming the value of the trust assets had grown to \$105,000, the Jones' payments would have increased to \$6,300. If the value of the assets had decreased to \$95,000, their payment would have gone down to \$5,700.

CRUTs come in three basic flavors:

*The straight percentage unitrust (CRUT) pays a fixed percentage of the net fair market value of the trust assets valued annually.

*The net income unitrust (NICRUT) pays the lesser of net income or the fixed percentage of the net fair market value.

*The net income with makeup trust (NIMCRUT), pays the lesser of net income or the fixed percentage, but adds a twist -- in years when the trust's net income is less than the fixed percentage there is a deficit account established, and the deficit is "made up" in years when the net income is greater than the fixed percentage. Another variation, the flip trust, allows the trust to "flip" from a NICRUT or NIMCRUT to a straight CRUT upon the occurrence of some triggering event, i.e., birth, death, or the sale of certain trust assets. The trust is often funded with appreciated assets that are delivering a low yield.

The tax benefits for a CRUT is similar to those of a CRAT. They include:

- *An immediate charitable income tax deduction
- *Avoiding capital gains taxes on long-term appreciated property used to fund the trust
- *Payments for the life of the donor, and if desired, a secondary beneficiary, each of which could receive favorable tax treatment determined by trust activities.
- *A legacy to the RMS to help perpetuate a commitment to the profession of river management

Charitable Lead Trusts

This type of trust would name RMS as a current beneficiary of an irrevocable trust. RMS would receive payments on an annual basis from the trust as determined by the donor at the time the trust is created, and the donor's named beneficiaries receive the remaining assets when the trust ends. Some donors could support RMS by using income from assets they eventually want returned to their family. The Charitable Lead Trust is the perfect vehicle for this type of gift. These types of trusts are typically designed to leverage the benefit of giving to both RMS and to the heirs of the donor(s). A gift tax charitable deduction for the actuarial value of any payment stream to RMS will reduce the gift tax value of the transfer to any heirs.

Example: A donor may state that RMS is to receive 4 percent of the value of the assets in the trust for 20 years, after which the remainder of the assets will be given to the donor's child. The RMS could use the payment each year to support a specific RMS need. If the donor wishes, the RMS could accumulate the money for a designated endowment fund in the donor's name or in the name of some other family member.

This trust option has some tax benefits which are dependent upon the terms of the trust when it is created. At the end of the period, the donor would have three options:

- *The donor could have the principal of the trust returned
- *The donor could renew the trust for another five years and receive another income tax deduction
- *The donor's economic situation might permit transferring the entire principal of the trust to the RMS to establish an endowment.

Revocable Living Trusts

Many individuals are interested in making a substantial gift to the RMS, but feel more comfortable having access to their funds. This

may be accomplished through a Revocable Living Trust. Because the gift is revocable, the donor does not receive an income tax deduction, but whatever funds eventually go to the RMS are deductible for estate tax purposes, if applicable.

Example: Nate Gibson, age 60, has been making small contributions to the RMS for a number of years. He would now like to make a \$25,000 commitment, but is concerned he may need the money if he were to become ill or disabled. Through a revocable trust agreement, he could transfer the \$25,000 and retain the right to receive the income from the trust each year for as long as he lives. The trust would contain a clause allowing him to withdraw his assets at any time during his lifetime. Following his death, the trust assets would be distributed to the RMS.

Closely Held Stock in a Family Business or Corporation

If you are an owner of stock that is highly appreciated yet not readily marketable, such as shares in a family business, you may have the opportunity to be philanthropic at a minimal cost. You could make an outright charitable gift of stock in your corporation. The corporation, preferring to keep its stock closely held, may subsequently offer to buy the stock back from the RMS at its appraised value and the RMS, preferring to hold marketable securities or usable cash, would more than likely agree to sell to the corporation. However beware: no sale between the RMS and the corporation can be pre-arranged if you wish to avoid the capital gains tax. If you are the sole stockholder, you will still own 100 percent of the equity if the corporation buys back the stock and retires it as treasury stock. From the corporation's point of view, excess profits have been distributed without a penalty tax. An alternative is for younger family members and key employees to purchase the stock. In addition to supporting the RMS, you will have effectively transferred some of the ownership without a capital gains tax or receipt of constructive dividends.

Charitable Gift Annuities

Under the terms of a gift annuity, donors can make a charitable gift of cash or other property as receive fixed payments for life. The frequency and amount of payments are determined at the time the annuity is funded. The payments never change and continue regardless of how long the donor and/or other recipients live. Depending on the volatility of the stock market and/or in times of declining interest rates, many look for ways to ensure reliable income for either themselves or their loved ones. Charitable gift annuities, part gift and part annuity, are simple contracts between one or two donors and the RMS. Depending on the solvency (financial health) of the RMS, the contract (negotiated with the RMS) could require the RMS to pay a predetermined stream of income (never decreasing in size regardless of economic conditions) to you (or a person you name), for life (or term specified), in exchange for the gift. After that time, the remainder of your gift goes to the RMS. The older the annuitant (donor) at the time of the gift, the higher the payment (annuity) rate. Rates in 2003 range from 5.7 percent (age 60) up to 9.5 percent for those over age 85. Gift annuities may not be available in all states or from all organizations - including the RMS.

Example: Alley Jay, age 77, gift amount: \$10,000. The charitable gift annuity is an agreement between the donor, Alley Jay, and the RMS. In exchange for an irrevocable gift, the RMS agrees to pay Alley a fixed lifetime income, or annuity. With Alley's age of 77, her

annuity rate is, say, 7.6 percent. (The annuity rates may vary from year to year and on other factors – see note below). The income and tax benefits for a gift amount of \$10,000 would include a charitable deduction of \$4,165.90 for federal income tax purposes in the year of her gift. The annual payment would be \$760.00 to her with some \$525.92 (amount of the annual payment) considered tax-free for federal income tax purposes. The rest would be reported as ordinary income. After 11.1 years, Alley's entire payment is considered ordinary income.

The older you are when you establish the donation, the higher the annuity rate. Other benefits include:

*Annuity payments partially tax-free;

*Charitable tax deduction in the year you make your gift;

*Potential capital gain savings and estate tax benefits; and

*Satisfaction in knowing you are providing support for river management professionals and North America's rivers.

Note: Rates of payment for gift annuities with RMS are based on prevailing rates prepared by actuaries of recognized insurance companies, taking into account current life expectancies and prevailing economic conditions. Note: Because prevailing rates may shift up or down, be sure to request the latest rate information (and age category) before making your gift.

Deferred Gifts - Cash, Stock, or Mutual Fund Shares

Donations of these items can be put in a deferred gift annuity with the annuity payments beginning at a future date of the donor's choice. The tax deduction is immediate for a significant portion of the gift. The deduction can be used to shelter higher earnings, bonus, or reportable income from exercising nonqualified stock options. Sample annuity rates for individuals ages 40-60 who choose to start payments at age 65 are as follows:

Age Now	Annuity rate
40	20.4%
50	15.3%
60	8.8%

Defer the payment longer and the rate may increase dramatically, e.g., if a 60 year-old elects to have payments begin at age 70, the annuity rate increases from 8.8% to 12.4%. Any gift will help the RMS meet its goals and objectives for future generations.

Note: Rates of payment for gift annuities with RMS are based on prevailing rates prepared by actuaries of recognized insurance companies, taking into account current life expectancies and prevailing economic conditions. Note: Because prevailing rates may shift up or down, be sure to request the latest rate information (and age category) before making your gift.

Tangible Personal Property Gifts (works of art, rare books, jewelry, collections and antiques)

Any personal property or collectible may have appreciated substantially in value when compared to its original cost and can make a satisfying charitable gift (often sold without capital gains tax). Give property that will result in the greatest capital gain if/when sold by the RMS. RMS is greatly enriched by any item of sentimental value that often has more than monetary value (please call to see if the item can be put to good use or enjoyed in perpetuity). For appreciated tangible personal property to be tax-deductible at full fair market value, the RMS must be able to use the item in ways related to its organizational mission and goals. Otherwise, the deduction is based on the donors' tax basis. Appraisal and/or inspection of the gift(s) may be necessary prior to transfer/donation.

Collectibles can also be combined with cash or securities in order to meet minimum requirements (determined by tax laws). Sales proceeds can be reinvested for the donor's benefit. The donor can choose a percentage payout and receive income for life. The gift can be partially tax-deductible. After the lifetime of the donor, the principal could go to the RMS and the gift would help the organization for future generations.

Gifts-in-Kind - An Alternative Gift Asset

A gift-in-kind is typically an item or a service that you donate to a non-profit organization. Such gifts are likely to be tangible assets - things you can put your hands on, carry or place in your residence, as opposed to cash, stocks, or real estate. Commonly, people donate tangible personal property (see above). Rules governing gifts-in-kind differ from other assets, such as cash or securities. The key is for the donor to know if the receiving organization can use the gift to further their exempt purposes. For example, a museum often accepts works of art and will use the asset instead of selling it, the donor can then deduct (within limits related to their income) the entire value of the asset. [See IRS Publication 561 for advice in determining the value of the asset] If the asset does not have a "related use," a purpose related to the RMS' mission, the donor is permitted to deduct only the cost basis of the asset. Contributions of personal services are not deductible, however you may deduct any out-of-pocket expenses incurred in the course of performing services away from home for the RMS (e.g., meals, lodging and/or travel expenses), as long as there is no significant element of personal pleasure, recreation, or vacation connected to the travel.

Gifts of Life Insurance

Life insurance can be an attractive option for charitable giving, even in the case of policies for which you are still paying premiums. You may own policies that have built up cash but are no longer needed for the purpose for which they were intended. If the policy is paid, your tax deduction is usually the cost basis or the replacement value of the policy, whichever is less. By donating a policy it will remove it from your taxable estate and provide you with an immediate income tax deduction. Or, you can buy a new policy and make the RMS the owner and beneficiary. In either case, the future premium costs can be tax-deductible. Donating or purchasing life insurance includes the following advantages:

1. You save taxes through an income tax charitable deduction when you name the RMS as the owner and beneficiary or the irrevocable beneficiary. Your deduction is limited to your cost basis (what you originally paid) even if the fair market value of the insurance is higher.

2. You can make a gift of your policy and continue paying the premiums, which allows you to claim the premium amount as an annual tax deduction.

3. Gifts of all or a portion of the value of life insurance may result in significant estate tax savings.

A gift of life insurance is easier to arrange than many other types of deferred gifts, e.g., you can transfer ownership of an insurance policy to the RMS without the legal expense of preparing a will or codicil. We realize that if you still need your life insurance for your future financial security or that of someone in your family, those concerns will always come first. But here are some ways you can safeguard personal requirements and still keep the RMS in your thoughts:

* Name the RMS as the contingent beneficiary, and then the RMS would receive the proceeds should your primary beneficiary predecease you.

* Name the RMS as beneficiary, but you retain ownership and retain control of your policies.

* Create a trust (revocable, irrevocable, or unitrust) to receive the policy proceeds. Then any funds are invested for a family member's support after your lifetime; when that person dies, the trust remainder can be paid to the RMS.

These plans will not entitle you to an income tax deduction, but they will satisfy your natural desire to use the policies for personal and family responsibilities as long as required and to support the RMS's mission later.

Demutualization of Life Insurance Companies (Shares of Stock)

Many of the nation's insurance companies are mutual companies which are owned by policy owners. These companies raise capital by selling policies, thus creating additional cash flow. Many have "demutualized" or are in the process of doing so in order to raise capital through the sale of shares of stock. These companies are giving the policy owners shares of stock based on the value of their policies. Many people find themselves in a position of owning paid-up life insurance they no longer need. In the case of demutualized insurance, the stock they were given has a zero cost basis and if the shares were redeemed, the entire proceeds of the sale are taxable. However, if one donates the shares of stock to a qualified non-profit organization, like the RMS, the individual receives a charitable tax deduction for the full market value of the shares on the date of the donation. Some limits may apply. Qualified non-profit organizations are not subject to taxation upon the sale.

Gifts of Real Estate

Thinking of selling land or a building? You may be surprised to find that your personal residence, farm, vacation home, commercial property, or parcel of undeveloped land, held for more than one year and debt-free, can be a tax-smart donation. A present or future gift of real estate offers valuable income tax and estate tax savings. Donors can usually receive a federal income tax deduction for its fair market value of up to 30 percent of the donors' AGI, with a five-year carryover for any excess. Many donors find themselves with non-income producing real estate which requires cash to maintain and

may be costly to dispose of at their death. They would like to sell the asset but learn significant capital gain taxes might be owed once sold. You can also free yourself of burdensome management and the problems involved in selling the property or leaving it to estate liquidation. A property inspection and appraisal will be required before the gift is made, so allow ample time for any transfer if you are seeking a tax deduction for a particular year. The day the RMS receives the signed deed is the date of the gift. If your state law requires recording the deed to fulfill the title, then the date of recording is the gift date. There are several ways to donate properties that have appreciated in value without incurring tax on the appreciation. You can give the entire property, a portion of the property (undivided interest), use the property to establish a charitable remainder trust, or donate with conditions (retained life estate gift), i.e., retain residency rights.

A gift of land or developed property to the RMS, with a fair market value above the cost basis, produces the same double tax savings as a gift of securities, and certain types of real estate are favorable for unique reasons.

* Agricultural land, for example, tends to return a low percentage of its market value.

* Real property, such as land or a vacation home that is no longer used, has a cost of ownership.

* An older commercial building may be fully depreciated, costly, and time-consuming to manage.

* Developed investment or commercial property on which straight-line depreciation was taken may provide significant capital gains savings.

Remainder Interest in a Residence or Farm

A general rule of tax law is that no charitable deduction is usually allowed for the gift of a partial interest in property. However, an exception exists for a remainder interest in a personal residence or farm in which you retain a life estate. In a retained life estate situation, you deed the property to a charitable organization, but you (and/or others you name) still have lifetime use of the property. You continue to maintain and insure the property and pay property taxes.

Because this donation is irrevocable, you are allowed a current income tax charitable deduction equal to the market value of the property, reduced by your life income interest. This strategy is especially valuable to those donors who will not pay estate tax under the new estate tax structure, since it allows the donor to receive a current tax deduction for the gift.

Gift by Estate Distribution

Lifetime transfers of appreciated real estate to a charitable organization have the advantage of two tax savings:

* An income tax charitable deduction and avoidance of capital gains tax. Yet not everyone is willing to give away property during life. Depending on your circumstances, a charitable gift through a will or living trust may be the better choice.

* A single property thus removed from your taxable estate may eliminate a federal estate tax, if applicable, and it avoids the costly process of selling the real property in order to obtain proceeds for distribution in an estate, as well. In addition, leaving property to a charitable organization in your estate plan allows you to retain access to the market value during your life should it ever be needed.

A major charitable gift based on real estate can prove highly satisfying. However, there are special aspects of such gifts you should consider, particularly if you are considering using mortgaged property. Thus, it is important to discuss with the RMS and your tax advisor the nature of your gift of property. Each piece of real estate (and situation) is unique.

One property may sell readily, while another may require time to realize its full market value. A delay in sale of the gift is significant when the gift calls for an income distribution to the donor or person named by the donor. When real estate is contributed to a charitable remainder trust, it may be best to use a charitable remainder unitrust (CRUT), which is a trust that pays the individual beneficiaries a percentage of annual market value rather than a fixed annuity amount. The CRUT is generally structured to limit annual distributions to the lower of actual income of the designated payment amount until the property is sold.

If you make a gift of real estate now, assuming you itemize deductions on your return, you will get a substantial income tax deduction. Plus, you will have the satisfaction of seeing the results of your generosity. Instead, you may want to use the property a while longer or even retain lifetime use. In any case, you can still make the necessary arrangement now and benefit from a sizable current income tax deduction. When you make an outright gift of real property, you obtain an income tax charitable deduction equal to the property's full fair market value (if held long-term) instead of the lower cost basis -- to the extent the property would produce long-term capital gain if sold.

This deduction allows you to reduce the cost of making the gift and frees up cash that otherwise would have been used to pay for taxes and upkeep. Also, you avoid tax on the property's appreciation, the transfer is not subject to the gift tax and the gift reduces your taxable estate.

Bargain Sale

The bargain sale as a charitable giving method or option and used when the value of appreciated gift property exceeds the value of the intended gift and it is impractical to divide the property into a portion to be given and another to be sold. A potential alternative is to sell the property to a qualified charitable organization at a negotiated price significantly below its fair market value. The difference between the sale price and the higher market value is the deductible value of a charitable gift. Here is an example:

Fair market value of gift property	\$50,000		100%
Bargain price (sale portion)	(35,000)		70%
Charitable deduction (gift portion)	\$15,000	\$15,000	30%
Marginal tax rate	<u>X .30</u>		
Tax savings from deduction	\$ 4,500	\$ 4,500	
Fair market value of gift property	\$50,000		
Less cost basis	(20,000)		

Total long-term appreciation	\$30,000	
Sale share of transaction	<u>X .70</u>	
Capital gains taxed	\$21,000	
Capital gains tax rate	<u>X .20</u>	
	\$4,200	(4,200)
Net tax savings from deduction	\$ 300	
Capital gains not taxed	\$9,000	
Capital gains tax rate	<u>X .20</u>	
Capital gains tax avoidance	\$1,800	\$1,800
NET TAX SAVINGS	\$2,100	

The capital gains tax is partially avoided since you must recognize only the gain attributable to the sale portion of the transaction. If the charitable gift portion of a bargain sale is valued at more than \$500, you must file IRS Form 8283 with your Form 1040. When the gift portion of a bargain sale is valued at more than \$5,000, a qualified independent appraisal may be required. By law, the appraisal is the seller's responsibility and may be a tax-deductible expense.

Retirement Plan Assets (Low-Risk, Tax-Smart Gifts)

If someone wants to make a charitable gift to the RMS for individuals aged 70 and ½ or older, or after their death, the best option may be donating some or all of the proceeds of an Individual Retirement Account (IRA) or other qualified retirement plan, such as a 401(k) or Keogh plan. Some might be tempted to leave the money in the retirement plan to their family or other loved one, but that creates one huge disadvantage - the IRS can tax these benefits twice or even 3 times after the individual's death. Except for one's after-tax contributions, the individual's plan's death benefits are subject to federal income and estate taxes - and possibly generation-skipping taxes. Worse yet, some states levy taxes on these benefits, too. If your surviving spouse is the beneficiary of plan assets, he or she can likely receive these benefits estate tax-free, thanks to the estate tax marital deduction. But at your spouse's death, the funds will be included in his or her gross estate - unless they are spent or donated. In any event, retirement plan assets paid to your spouse are subject to income tax. With special planning, an individual other than a spouse who is the beneficiary of plan assets can benefit from a slight tax break. By itemizing on the federal income tax return, he or she can deduct any federal estate tax paid on the proceeds.

Tax-saving tactics - Charitable contributions of retirement plan proceeds are popular because they escape both estate and income taxation. Generally, if your estate is large enough to provide an inheritance for your loved ones and make charitable gifts, your best strategy is to give your non-retirement plan proceeds to qualified non-profit organizations like the RMS.

Example: Ann is a widow with one child, Alan. Her net estate of \$4 million consists of a \$2,000,000 rollover IRA plus \$2,000,000 in other assets. She decides to give half of her estate to Alan and the other half to the RMS. If she were to die and leave each asset equally divided between the two beneficiaries, her estate would not have to pay any federal estate tax because the unified credit exempts the first \$2 million and the unlimited deduction (gift to the

RMS) exempts the balance of \$2,000,000. But half of her IRA (\$1 million) would be taxed in Alan's 36 percent federal income tax bracket. Following the advice of her attorney, Ann instead decides to leave her entire IRA to the RMS and the other assets to Alan. The income tax on the IRA is avoided because the RMS can accept the gift tax-free. Alan avoids paying income tax on his inheritance.

In this example, the unified credit is sufficient to exempt Alan's share of the estate from estate tax. But if an individual's share exceeds this credit, there will be a tax as high as 55 percent. Retirement plan assets left to grandchildren may incur a generation-skipping tax, as well. Even if your estate won't be exposed to estate taxes, income taxes can be avoided by using retirement plan assets for your bequest (gift) to the RMS and leaving other assets to family members.

Example: If you are 70 ½ or older, under the Pension Protection Act of 2006, individuals can make a lifetime gift (direct transfer, free of taxes) using their IRA funds without tax complications. Previously individuals had to report money taken from their IRA as taxable income, take a charitable deduction for the gift, but only up to 50 percent of their adjusted gross income. Some donors actually paid more in income taxes than if they didn't make a gift. Now individuals can make a gift while living and able to witness the benefits of their generosity. While individuals will not pay income tax on the amount, they cannot claim a charitable deduction. You may contribute funds this way if: you are 70 and ½ or older; the gift is \$100,000 or less each calendar year; you make the gift on or before December 31; you transfer funds directly from an IRA or Rollover IRA; and you transfer the gift outright to the RMS. Be sure to contact a tax professional and your IRA custodian if you are considering a gift under this new provision.

Naming Charitable Beneficiaries

To leave your IRA or other retirement plan outright to the RMS upon death, simply fill out the plan's beneficiary designation form. If your estate is the beneficiary of your plan, an alternative is to include in your will, codicil, trust, amendment, or endowment fund specific language directing your personal representative to make charitable gifts using assets most likely to incur taxes if given to non-charitable beneficiaries. An attorney should be consulted to provide the required wording. If you are married and your spouse approves naming the RMS as beneficiary, he or she must sign a waiver of rights to the retirement plan benefits. On the other hand, if you want your spouse to be the primary beneficiary, consider naming the RMS, or other organizations, as the contingent beneficiary - in case your spouse doesn't survive you (or for some reason, the RMS should not be able to accept the gift(s)).

A little known term you may want to investigate is income in respect of a decedent, or IRD. A IRD is taxable income earned during a lifetime, not received before death, never included on an income tax return, and may be in the form of an IRA or 403(b) plan, accrued interest on certificates of deposit and savings bonds, nonqualified stock options, deferred payments of capital gains, or other earned income but not acquired. At death, most retirement plans are subject to an estate tax, as well as an income tax. The maximum federal estate tax rate, at present, is 46 percent, thereby consuming nearly half of a retirement plan's value. Add in federal income taxes, potential state death taxes, and state income taxes, the total tax bill on IRD assets could exceed 65 percent. Much of this IRD tax burden can be reduced, if not eliminated, through a carefully planned charitable gift. For every dollar which is donated to the RMS, the cost to the heirs is approximately 35 cents - a good value by any standard. Leaving your IRD to the RMS at your death not

only allow your heirs to avoid both estate and income taxes on these assets, but allows the certainty that 100 percent of your bequest supports the RMS mission and objectives. A word of caution, avoid making a donation of IRD assets during your lifetime. Doing so would be the same as receiving the asset yourself – along with the tax burden accompanying it. Instead, change the beneficiary designation on your retirement plan to the RMS.

The IRS has simplified distributions from an IRA during the owner's lifetime and permit a designated beneficiary of the assets to be named as late as the end of the year following the owner's death. If you are considering donating your IRA to the RMS at your death, be sure to consult with your professional advisors concerning the status of these regulations.

Creating a Memorial

If you are looking for a loving way to memorialize someone who is dear to you and who supports the RMS -- then creating a memorial gift may be the perfect solution. You'll enable RMS to pay tribute to your loved one and you'll further our mission. Establishing a memorial is as simple as giving a gift in honor of the person you wish to memorialize. The memorial may be funded through a variety of assets, e.g., appreciated stock or cash, or you can leave a percentage of your estate. With smaller bequests, your loved one's name could be printed in a report or symposia program. For larger gifts, the honoree's name could be permanently inscribed on a plaque, poster, or have an annual event or award named after him or her.

Creating an Endowment

An endowment is a "forever" gift – a permanent fund established by a donor in which the principal is invested and all or part of the earnings are used by the RMS in perpetuity to assist in carrying out the mission and goals the donor chooses to support. Establishment of an endowment allows the donor to name the fund and gives RMS an opportunity to recognize the donors' generosity – a gift that will make a difference for generations. Donors may want to use this method to memorialize a family member or special individual, or say thank you to a loved one or RMS. This can be a scholarship given in a person's name, a research fund for a particular river management issue in the name of a friend. Endowments can be established in the donor lifetime or through a charitable bequest via a will, codicil, trust, or related amendment(s). Donors can request endowments with a single gift or series of gifts. Consider creating a collective endowment funded with cash, appreciated stocks, real estate, life insurance, retirement plan assets, deferred gifts from trusts or annuities, or personal property. Generally, a minimum donation is required to establish an endowment – as a guarantee the income from the fund is adequate to achieve the donors' intent. The RMS would use the memorial fund's income as you specify (subject to Board approval) and any principal from the fund could be invested to provide income to the RMS in perpetuity. Possible options to choose among several funds, e.g.:

*Unrestricted Fund – gift allows RMS to make specific funding recommendations

*Designated Fund – the donor determines in advance what programs or services desired for the donation to support

*Advised Fund – the donor recommends how the proceeds from the endowment are to be spent

Specific details included with the type of endowment the donor selects will be incorporated into a written description of the endowment and the written document must be approved by then donor and the RMS. Regardless of the type of endowment established, the satisfaction associated with charitable giving is enormous.

Record Keeping

To make sure your planned gift to the RMS qualifies for a charitable deduction, you must maintain the proper records. **Gifts valued at \$250 or more** need to have a contemporaneous receipt from the RMS stating the date of the gift, its description, and whether you received any goods or services in exchange for the gift. You need not send it to the IRS, but do need to have it at the time you send in your income tax return. If your contribution is in the form of a planned gift, you should have a copy of the planned gift agreement in your files. The document tells you the terms of the gift. The RMS or your tax advisor will provide a calculation showing how much you are able to deduct from your income taxes. A copy of the calculation should be sent to the IRS with your tax return. If you carry forward a portion of the income tax deduction, keep a record of each year's deduction, as well. **Gifts of property valued at more than \$500**, need to include IRS Form 8283 with your return. If you want to deduct **more than \$5,000 for your gift**, you may need to obtain a qualified appraisal, unless you have donated cash or marketable securities.

NOTE

Donors should ignore any e-mail asking for money. Check with the RMS Main Office and make use of non-profit watchdog groups, e.g., Guide-Star (www.guidestar.org), the Wise Giving Alliance (www.give.org), or Charity Navigator (www.charitynavigator.org) to avoid predatory requests and cyber scams.

The options and discussion listed above are not intended to be exhaustive or complete. Be sure to obtain expert advice from your professional advisor(s) when considering your options and designations for giving. Tax laws are constantly changing and could affect details of the concepts presented here.

Ten Charitable Resolutions For the Philanthropically Inclined

1. I will give without being asked.
2. I will draw upon the key people, experiences, and influences in my life when deciding where to give.
3. I will study the best methods for making donations. For example, I might make charitable gifts outright, as opposed to deferred, from assets rather than from income.
4. I will seek no influence from my giving. I may want to restrict some gifts for specific purposes, but I will place no other conditions on my giving.
5. I will make charitable giving an integral part of my estate planning. I will consult my estate planner and tax advisor for assistance.
6. I will make "challenge gifts" so as to involve others in worthwhile funding campaigns.

7. I will evaluate the business of a cause before I support it. I will look beyond emotional appeal to the financial efficiency of a charitable organization.

8. I will emphatically oppose unprofessional appeals.

9. I will encourage others to give to worthy causes. I will teach my children and urge my friends to select causes and support them in return for their relationships and for the good of the communities in which we live.

10. I will consider my financial responsibility to the health, education, and welfare of my family as I design my charitable giving. I cannot support all causes. My first cause is my family. I will learn to graciously say, "No, thank you," when I must.

RMS Policy

It is the policy of the RMS to evaluate all potential gifts offered through this program to determine the appropriateness of accepting each gift. While it is the intention of the RMS to accept all gifts and donations, if the donation requires administrative costs and/or expertise beyond the capabilities of the RMS, the gift may not be accepted. The RMS may reconsider acceptance if the donor desires to establish an endowment for the gift to offset incurred costs. Potential donors are encouraged to work closely with the RMS before making gifts which may require more complex, technical, and/or administrative expertise. You may choose to pay your total gift in installments by pledging. You may request that monthly installments be charged to your credit card until the total pledge amount is paid or you may choose to receive a reminder each month.

Should you need further information from the RMS Planned Giving Committee, please contact our Planned Giving Committee, any RMS Chapter President, or the RMS Headquarters at P.O. Box 9048, Missoula, Montana 59807-9048; 406-549-0514