

GIVING QUESTIONS | SCOUTING ANSWERS



BOY SCOUTS
OF AMERICA®

NATIONAL FOUNDATION

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This booklet is designed to provide general and accurate information about charitable giving. It is distributed with the understanding that it is for information only. The Boy Scouts of America National Foundation wants to be a philanthropic resource for you and your advisers, but it is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expertise is needed to review or advise you on your financial situation, please seek the services of a competent professional.

GIVING QUESTIONS | SCOUTING ANSWERS



BOY SCOUTS
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Scout Oath or Promise

On my honor I will do my best
To do my duty to God and my country
and to obey the Scout Law;
To help other people at all times;
To keep myself physically strong,
mentally awake, and morally straight.

Scout Law

A Scout is trustworthy, loyal, helpful, friendly, courteous, kind,
obedient, cheerful, thrifty, brave, clean, and reverent.

Scout Motto

Be Prepared.

Scout Slogan

Do a Good Turn daily.



GIVING QUESTIONS | SCOUTING ANSWERS – 2016 Updates

(Gift examples may still change monthly, due to changes in the tax law and federal AFR rate.)

- PAGE 5** The gift example at the top is still accurate for most taxpayers, but the current, long term capital gains tax rate for top tax bracket taxpayers is **now 20%**.
- PAGE 12/13** Gift annuity rates did not change for 2016, so rates and deductions are unchanged.
- PAGE 15** For the Retirement Planning example – \$50,000/year pay in for 10 years, then 7% payout – due to tax changes (and previous typo), his total tax deductions will be \$194,084, he receives \$51,361 in the first year of retirement, an estimated \$1,020,333 over the trust’s life, and the BSA receives an estimated \$881,400 at the end of the trust term.
- PAGE 16** The first Lead Trust example is current. In the 2nd example, the Family Lead Trust, the gift tax deduction is \$450,000. So, for only \$50,000 in gift tax liability, the donor can transfer an estimated \$793,600 to the children in 15 years. Note, however, that 9% annual return on investments may now be quite optimistic over the next 15 years.
- PAGE 18** Starting in 2016, the opportunity to make tax free distributions to charity from your IRA is now permanent! Donors age 70 ½ or older at the time of the distribution, may make distributions of up to \$100,000 a year directly to charities and avoid paying any tax on the distributions. These also qualify for the annual MRD distributions. For more information, visit www.bsafoundation.org and go to the section on IRAs.
- Younger donors who do not qualify for the tax free IRA distributions may still make contributions from their IRA. They will be taxed on the withdrawal, but are entitled to a charitable tax deduction that often offsets the tax paid for the distribution. But please talk to your advisors – this may affect your tax bracket, it won’t work unless you itemize your deductions, etc.
- PAGE 19** For 2016, the lifetime exclusion is **\$5,450,000** per person, during life OR through an estate without owing gift or estate taxes. A married couple may transfer unlimited amounts between them, and up to \$10.9 million at any time to anyone else they want (e.g. children, grandchildren, etc.). For over 99% of taxpayers, this eliminates concerns about owing estate taxes upon death, and reduces the need for trusts that are used solely to avoid transfer taxes.
- PAGE 20** Annual Exclusion is now **\$14,000** per year/per person (**\$28,000/year** for couples).

GIVING QUESTIONS/SCOUTING ANSWERS

Most donors come to us with many more questions than answers. They want *us* to help them find answers—and that’s important to us as well. We thought you’d appreciate a resource that focuses on problem solving.

Like most donors, your main concern is how to make a gift that best meets your needs or solves a particular problem. You probably don’t care about the technical name of your gift, just like you don’t go to a hardware store because you want a quarter-inch drill bit; you go because you want a quarter-inch hole.

Here are some of our most frequently asked giving questions—and where, inside this booklet, you can find Scouting’s answers.

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THE BSA NATIONAL FOUNDATION

The Boy Scouts of America National Foundation is dedicated to three things: 1) partnering with local councils to help them find major gifts to support their Scouting programs and initiatives; 2) finding new funding for BSA initiatives, facilities, and programs on a national basis; and 3) helping donors and their families find the most effective ways to meet their charitable gift challenges.

It is our goal to help you and your advisers in situations where a charitable gift or advised fund would be part of your estate or financial planning needs. Some of the most common donor and philanthropic challenges the Foundation can help with include the following:

- Establish funds with the flexibility to designate—and change—multiple beneficiaries that include local councils, high-adventure facilities, and non-Scouting organizations.
- Create new funds to provide scholarships, camperships, or benefit a local council, utilizing the professional management and oversight of the Foundation.
- Set up gifts of non-cash assets, charitable trusts, and gift annuities that can increase the annual income of the donor and the donor's family.
- Establish gifts to support Scouting in a certain geographic area, in support of emergency needs, or to support World Scouting entities and needs.

DONOR-ADVISED FUNDS AND THE BSA FOUNDATION

One of the fastest growing and most flexible of all philanthropic vehicles is the donor-advised fund. Advised funds make it easy for donors to:

- Create a single fund with cash, stocks, and other non-cash gifts, add to it at any time, and advise the Foundation about annual distributions to local councils, any BSA entity or facility, and even to non-Scouting charities
- Help children or grandchildren become more fully engaged in philanthropy by naming them fund advisers and letting them help select charitable beneficiaries each year
- Take an immediate tax deduction for creating the fund, but make future decisions about distributing the funds—particularly helpful for donors receiving large lump sum distributions from the sale of a business or an asset
- Create a private and simple alternative to using a family foundation
- Receive regular reports on fund return and use of the distributions, and to have the funds managed by the same world-class investment team handling the BSA's own funds
- Be assured that Scouting will always benefit from the fund—an assurance not always available from other fund managers

Contact the Foundation for sample documents and an information packet describing how effective and efficient a donor-advised fund may be for your philanthropic needs.



CASH AND PROPERTY GIFTS

Cash Gifts

Gifts of cash are the most basic and important source of support for Scouting. They are easy and popular, and you are entitled to a charitable income tax deduction equal to the *full value* of the gift. Also, the higher your tax bracket, the more your charitable tax deductions are worth to you.

As a general rule, a cash gift is:

- Deductible up to 50 percent of your adjusted gross income each year. Unused deductions may be carried over and used for *five years* after the gift is made.
- Complete on the date it is hand delivered or mailed. For example, a year-end gift mailed in December is deductible that year, even if not received by the council until January.

Of course, income-producing interests such as oil, gas or mineral interests, rental property, or copyrights may also be contributed to generate a continuing source of cash to support Scouting.

Publicly Traded Securities

For many donors, gifts of stocks or bonds can provide tax benefits that are even greater than for cash gifts—especially if those securities have *appreciated* in value. In most cases, you can contribute appreciated securities and take a charitable deduction for the full market value of the securities (*if* you've owned them for at least one year). You also avoid paying the capital gains tax on the appreciated value.

What about giving securities that are worth *less* than you paid for them? You may receive greater tax benefits if you sell them and donate the cash proceeds. You can also donate securities you've owned for *less* than one year, but your deduction is usually limited to *cost basis*. As with all gifts, discuss these with your advisers; there may be other tax advantages to you for gifts of short-term property with little or no appreciation.

Securities you have owned for more than a year are deductible up to 30 percent of your adjusted gross income (AGI) every year. Those held for less than a year are deductible up to 50 percent of your AGI every year. Excess deductions for both may be carried over for five years after the year of gift.



A donor is considering a gift of \$100,000. It may be cash or stock with a basis of \$20,000 he has held for more than a year.

The comparison: PLEASE SEE 2016 UPDATE

	Gift/Tax Deduction	Tax Owed by Donor	Capital Gains Tax Saved (15% bracket)
Cash Gift	\$100,000	\$0	\$0
Stock Gift	\$100,000	\$0	\$12,000
Stock Sold, With Gift of Proceeds	\$100,000	-\$12,000	\$0

Closely Held Stock

Often very highly appreciated in value (and expensive to sell), gifts of closely held stock offer the same tax advantages as a gift of common stock. In fact, some donors use these gifts as a way to indirectly transfer ownership to others such as family members, or regain control of the shares and establish a new cost basis for them.

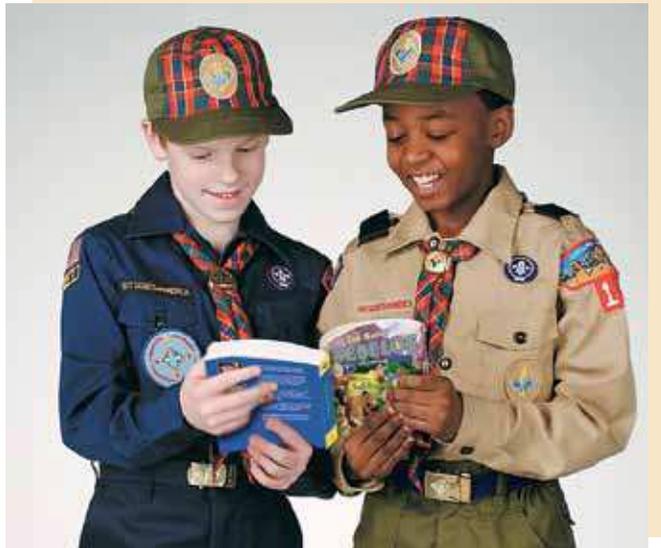
A council board member owns 80 percent of a family business; his children own the other 20 percent. He transfers to the council a 5 percent interest in the company and gets a tax deduction for the value of those shares. The company buys the shares from the council, retires the shares, and, in doing so, increases the children's percentage ownership of the outstanding shares. If, instead, the donor buys back those shares, he would retain the same ownership percentage but increase his tax basis in the reacquired shares.

The advantages of closely held stock gifts are similar to those of publicly traded stock gifts, but an appraisal may be required to establish the market value of these shares.

Stock Options

Stock options can be valuable and often “painless” gifts to a local council. (You’re giving away something you don’t actually own yet). But gifts of stock options can pose certain challenges. For example, gifts of stock options will not produce an immediate tax deduction. The value of the gift won’t be known until after the option is exercised: when it is, your deduction equals the difference between the option price and the stock value.

In fact, some stock options may *not* be contributed, under the terms of the option. If considering such a gift, consult your governing option agreement and advisers.



Tangible Personal Property Gifts and Income Producing Property

Whether through inheritance, collecting, or investment, you've probably accumulated a lot of things. Sometimes these are inherently valuable; sometimes the value is purely sentimental; sometimes they are costly to insure or difficult to sell.

Gifts of art, collectibles (such as stamps or coins), antiques, boats or cars, or other items of personal property may be great alternatives. If the item has *appreciated* in value, your tax deduction is often fair market value, but it may depend on what the property is. For example, giving a valuable painting to the BSA may produce less of a tax deduction than giving that same painting to an art museum. What if the item hasn't appreciated in value? Your deduction is the *lesser* of its current value or your cost basis.

Income-producing interests, such as oil and gas interests, rental property, copyrights, and others may be contributed. They make great "pretax" gifts that also generate income to support Scouting. Your tax adviser can help you with these decisions. Properly chosen, gifts of property can be outstanding gifts for you and the local council.

Before making a gift of any property, especially if it may be worth more than \$5,000, get an appraisal. Appraisal fees may also be tax deductible.



Gifts of Land, Homes, and Farms

Outright Gifts

As with many people, your real estate holdings may be your most valuable assets. But these assets often carry a high price: property tax and maintenance costs, if held; capital gains tax, if sold. A gift to the BSA of real property—residential, rental, vacation homes, farms, commercial, or undeveloped—may offer significant benefits. Generally, outright gifts of real property entitle you to

- Avoid the capital gains tax on any appreciation in value, and
- A charitable income tax deduction based on the fair market value of the property.

Before deciding how to give real property, know (1) the appraised value of the property and (2) your basis and any debts or liens on the property. Also, please discuss your gift with the BSA so there is a mutual understanding about whether the property will be used, sold, or if there are any environmental concerns.

A donor invested \$20,000 in a piece of land many years ago. It is now worth \$100,000. If he contributes it to his local council, he is entitled to a charitable tax deduction of \$100,000 on his income tax return. He also avoids the \$12,000 in capital gains tax he would owe if he sold the property. As of 2016, the tax savings will now be \$16,000

- **Land held for more than one year is deductible at fair market value up to 30 percent of a donor's AGI for the year. If held for less than a year, it is deductible up to 50 percent of AGI for the year, and the deduction is limited to the property's cost basis. The five-year carryover rule applies here as well.**
- **Property with a mortgage or lien usually does *not* make a good gift. The tax deduction is reduced by the debt amount, and the donor is treated as receiving a similar amount in income, regardless of who is responsible for the debt.**

Bargain Sales and Gift/Sales

Gifts of real estate are *not* all-or-nothing propositions. You may donate a *partial* interest in the land—or certain land rights—instead of donating the entire property. You receive a deduction based on the appraised value of the interest you donate. When the property is sold, the proceeds are distributed accordingly. This is a *gift/sale* arrangement.



A donor has 10 acres of land worth \$10,000 an acre. She's not sure she wants to give away the entire property right now. She donates three acres to her local council and gets a tax deduction of \$30,000 right away. When the 10 acres are sold, the council gets three-tenths of the sales proceeds, and the donor gets the other seven-tenths. Often, the donor's tax deduction can offset the capital gains tax she owes on her part of the proceeds.

Another option is the *bargain sale*. Just like it sounds, the donor sells the property to the council at a bargain; it's part sale, part gift. The council gets a good deal and the donor gets a tax deduction for the difference between the sale price and the value of the property.



A donor has a property worth \$150,000. He wants to help his council but can't afford to give it all away right now. He sells it to the council for one-third of its value. He gets \$50,000 cash (either all at once or in installments), and a charitable tax deduction for \$100,000 (two-thirds of the value). He only owes capital gains tax on his share (one-third), and the council gets a valuable property that it now owns.

Life Estate Gifts

Some people plan to contribute a home, vacation home, or farm to Scouting sometime in the future but—for now—they still want to use the property. A *life estate* helps you do both. A life estate gift grants Scouting the right to your property after your lifetime, but you retain the right to use and enjoy it for the rest of your life and/or the life of another. If the property is income-producing (e.g., from rent, crops, timber, etc.), you may also keep that income during your lifetime.

Scouting has no right to use or possess the property until after your lifetime, but you *still* receive an immediate income tax deduction for part of the property's value. Also, a life estate gift removes the property from your taxable estate, possibly saving estate taxes and probate costs.



Mr. and Mrs. Donor, both 70, have a vacation home worth \$200,000. They use it a few weeks a year and rent it out the rest of the time. They plan to do something for their local council, but don't want to give up their vacation home yet. They make a *life estate* gift. They continue to use the property just as always; they still get all the rental income; it is no longer in their taxable estate; and they get an immediate income tax deduction for almost half of the property's value. The council cannot use or possess the property until both donors have passed away.

- **If you make a life estate gift and later decide you no longer want to use your property, simply transfer your remaining rights in the property to the council. You'll receive additional tax benefits at that time.**
- **The value of a tax deduction for a life estate gift is determined by the value of the land and the age of the life tenants. The older the life tenants, the larger the tax deduction.**

Life Insurance

Life insurance plays an important role in the estate plans of many people. Most people have some form of insurance; many have policies no longer needed for their original purposes. For example, do you have a policy:

- To provide money for a spouse or children, who no longer need it?
- To cover a mortgage on a home or other property that's now paid off?
- To cover educational expenses that no longer exist?
- To protect a business you no longer own or that has other coverage at this point?

It may be beneficial to donate such policies to Scouting. In general, if you donate a new or existing policy to Scouting, your tax deduction is about equal to the policy's cash surrender value. You can also deduct any annual amounts paid to keep the policy in effect.



A donor has a \$50,000 life insurance policy she no longer needs. It has a cash surrender value of about \$32,000 and she continues to make annual premium payments of \$1,100. If she names the council owner and beneficiary of the policy, she receives a tax deduction of about \$32,000. She also receives a deduction for annual gifts of \$1,100 to the council to keep the policy in force.

There are a number of ways you can use life insurance in your charitable gift planning for Scouting:

1. Name your local council primary or secondary beneficiary of an existing policy.
2. Name your council owner and beneficiary of an existing policy.
3. Buy a new policy and contribute it to the council.
4. Buy a policy on the life of someone else and contribute it (for donors who may not qualify personally for affordable coverage).
5. Buy a policy that benefits your heirs to replace a gift to Scouting you've already made.



A donor gives his council land worth \$100,000. His children were not excited about losing part of their inheritance. So the donor "replaces" the land with a \$100,000 second-to-die policy naming his children as beneficiaries. He pays for the policy with part of the tax savings he got from his land gift's charitable deduction. The children are happy again.

- **Income tax deductions for a gift of insurance vary depending on the type of policy donated. Seek advice from your own adviser and get an appraisal of any existing policies before you donate them.**
- **You receive a tax deduction and remove the value of the policy from your taxable estate only if you name a charity *both* owner and beneficiary of the policy.**



INCOME-PRODUCING GIFTS

The BSA Charitable Gift Annuity

A charitable gift annuity is a simple contract between a donor and the BSA. In exchange for a gift, the BSA agrees to make payments to the donor or others chosen by the donor. These payments are made for life, to one or two individuals, and guaranteed by the general assets of the Boy Scouts of America. The donor also receives an income tax charitable deduction.

The gift may be of cash, stocks, bonds, or shares in a mutual fund. The minimum gift required to receive a charitable gift annuity from the BSA is \$10,000. You cannot add to a charitable gift annuity once it is made, but you may set up as many as you wish.

The donor may choose anyone to receive quarterly payments for life, though all beneficiaries must be at least 60 years of age at the time of the contract. Most donors select themselves and/or a spouse to receive the payments.

The annual payout amount depends on the age of the beneficiaries. The older the beneficiary, the larger his or her payment. As of 2012, the gift annuity rates range from 4.4 percent to 9 percent for beneficiaries between the ages 60 and 90. Part of each payment is taxable income, but part of each payment is often tax-free as a partial return of principal. This may increase the effective rate of return, depending on your tax bracket and the cost basis of your gift.



A 70-year-old donor wants to set up a \$10,000 gift annuity; it will pay 5.1 percent. She is considering either a gift of cash or stock (with a basis of \$2,500). The comparison:

	Tax Deduction	Annual Income	Tax-Free Part of Payments
Cash	\$3,470	\$510	80%
Stock	\$3,470	\$510	20%

At the end of the gift annuity term (the lifetime of the payment recipient(s)), the remaining value of the original gift is removed from the gift annuity fund and given to the council chosen by the donor. Charitable gift annuities are handled through the Charitable Gift Annuity Program at the BSA National Council; this relieves local councils from administrative burdens, state filings, and fees.

Deferred Gift Annuities

Some donors set up a gift annuity now—to get the income tax deduction now—but *defer* the start of the payments until a later time. Payments may be deferred for as long as the donor wants and the annuity is often larger for deferred gift annuities. This strategy may be useful for donors currently in a high income bracket and planning for retirement. Unlike IRAs and other retirement alternatives with contribution limits, there is *no limit* as to how much you can place in a deferred gift annuity.



A 60-year-old donor sets up a \$50,000 BSA gift annuity but defers the start of the payments until he retires at age 65. He gets an immediate income tax deduction of \$12,000 and will receive \$2,750 a year when he retires. He sets up another gift annuity every year for the next five years, receiving tax deductions for each and ending up with significant extra retirement cash flow.

Donors may select anyone to receive gift annuity payments, but there may be gift tax implications for beneficiaries other than the donor or spouse.

Charitable Remainder Trusts (CRTs)

One of the most flexible ways for many people to make a major gift to Scouting is to use a *charitable remainder trust*. Your gift is placed in a CRT and it sells and reinvests the assets. The trust makes regular payments to you and/or others for a specific number of years or for one or two lifetimes. CRTs may be funded with cash, stocks, bonds, land, and even other assets.

The payout rate can be chosen by the donor; payments are based on the fair market value of the gift placed into the trust. Payments can be a specific amount (annuity trust) or a fixed percentage (unitrust). Trusts with percentage payouts are revalued each year—as the principal grows in value, the annual payment also grows. When the trust ends, the principal goes to the BSA, as directed by the donor.

Often a local bank or trust company is chosen as trustee. The donor or other family members *may* serve as trustee, but that person should be experienced with financial planning instruments and tax filings. The BSA National Foundation may serve as trustee for trusts funded with \$100,000 or more in cash, stocks, or other securities (if funded with real estate, the property value must be \$250,000 or more).

The timing and rates of payment, investment philosophy, type of income, and other details can be tailored to provide a financial planning tool that is creative, fiscally sound, and responsive to your needs. You are entitled to an income tax deduction when you create your trust, and you may avoid capital gains tax and increase your cash flow by funding the trust with low-yielding, highly appreciated assets.



A donor has highly appreciated land worth \$300,000 (he only paid \$50,000 for it). It currently generates no income. He places it into a charitable remainder *unitrust* to pay 6 percent annually to him and his spouse for 15 years (there is 2 percent annual growth). The benefits:

Immediate income tax deduction:	\$121,000
Capital gains tax owed upon gift:	\$0
Total payments over 15 years:	\$307,000
Total gift to the BSA after 15 years:	\$393,000

- In general, the shorter the trust term, or the smaller the annual payout, the larger the deduction.
- Since trust property is removed from a donor's estate, this may result in significant savings in estate taxes and/or probate costs at the end of the donor's lifetime.

Additional Retirement Planning With Charitable Trusts

Most retirement plans limit how much you can contribute or withdraw in any given year. However, by using a charitable remainder trust as a “retirement alternative,” you may have much more flexibility in your fund contributions, deductions, and cash flow.



A donor, age 55, already has an overfunded IRA but wants to create more retirement cash flow. He decides to set up a charitable unitrust now and add \$50,000 a year in cash and/or stocks to the trust for the next 10 years. He wants a high-growth portfolio (7 percent) until he retires, then wants to rebalance to generate 7 percent a year payout for the rest of his life. The benefits: [PLEASE SEE 2016 UPDATE](#)

Income tax deduction:	\$135,000 over the next 10 years
Capital gains tax owed upon gift:	\$0
Payments in the first year of retirement:	\$512,000
Estimated total lifetime payments:	\$986,000
Total to the BSA at end of trust:	\$706,000

Charitable Lead Trusts

Some think of a lead trust as a partnership between themselves and a charity. Some see it as a “mirror image” of a charitable remainder trust. To others, it is a loan to charity. But most people agree that the lead trust is a great way to make a significant gift to Scouting using funds that eventually will *return* to you or your loved ones. It’s also a great way to pass assets to your loved ones at very little cost.

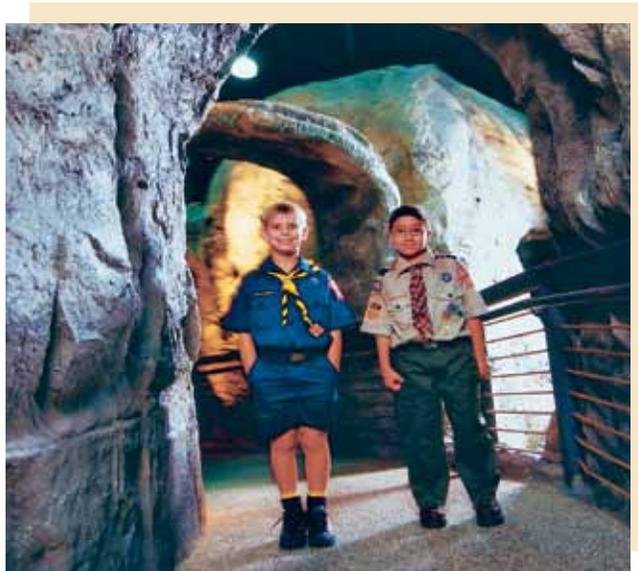
Your assets are placed in a lead trust for a period you choose—either a number of years or measured by someone’s lifetime. During this period, the income is paid to the *council* of your choice (and you determine how much that will be). Trust earnings not needed for income are accumulated in the trust principal. At the end of the trust, the principal (and any growth) is distributed either to the donor or to anyone selected by the donor—tax free.

Tax deductions are largely determined by three factors: who eventually receives the principal, the term of the trust, and the annual payout. In general, if the trust returns to the donor, an income tax deduction is available. If the trust goes to someone other than the donor, only a gift tax deduction is available.

A donor just sold her business for \$500,000 in cash. She puts this into a 15-year lead trust paying \$35,000 a year to her council (pays out 7 percent, earns 9 percent). She gets a charitable income tax deduction of more than \$436,000 in the year she creates the trust. Over the next 15 years, the council receives \$525,000 and the trust grows to more than \$794,000 in value. At the end of the trust, the *donor* receives the \$794,000 principal and growth in the trust.

Another donor places an identical gift into a 15-year lead trust, but he wants his *children* to get what’s in the trust when it ends. He gets a charitable gift tax deduction of \$418,000, reducing the potential taxable gift to the children of \$82,000 (\$500,000 minus gift tax deduction). The donor can also reduce any remaining lifetime exclusion by this amount to offset or eliminate the tax. When the trust ends, the *children* get the \$794,000 principal plus the trust growth.

The lead trust greatly reduces the cost of making a large gift to children. Without the lead trust, this donor may need to leave the children estate assets of more than \$1,320,000 just so they would receive the same \$794,000 (if the donor is in a 40 percent estate tax bracket). Just as important, the council gets a sizeable current gift it can use *now* for operating, capital, or endowment needs. PLEASE SEE 2016 UPDATE



BEQUESTS AND REVOCABLE GIFTS

Wills and Bequests

Do you have a valid will? If so, does it meet your current family and philanthropic needs? If you said “yes,” congratulations—a current and valid will is the cornerstone of all financial planning. And yet, studies show that at least six out of 10 adults in the United States do *not* have a valid will.

Making a charitable bequest in a will is the most familiar and widely used way to benefit Scouting and other charities. This is how many donors establish their legacies, and it is a way that remains revocable at any time during their life.

For donors with taxable estates, charitable bequests are completely tax deductible when distributed. There are many types of bequests you can consider, including:

1. General—A designated amount of money, such as “\$10,000.”
2. Specific—A certain item, such as “my 100 shares of IBM stock,” “my home at 123 Main Street,” “my original Norman Rockwell painting,” etc.
3. Percentage—A designated percentage of your estate, such as “10 percent.” This helps protect against inflation, reducing the value of your bequest.
4. Residuary—Gives Scouting all or a percentage of anything left after all general and specific bequests are satisfied.
5. Contingent Bequest—Only takes effect if another bequest fails, such as “If my father should predecease me, then this should go to the XYZ Council, BSA.”

Many donors establish “testamentary” charitable trusts in their wills. These are just like the “regular” annuity trusts or unitrusts—the only difference is they are funded or created in your will. Also, for donors who use living trusts, Scouting and other charities can easily be included in those.

If you already have a will and want to make some simple changes, you can do so with a *codicil*. A codicil is a simple addition or amendment to an existing will. As with wills, codicils involve certain signing formalities and can be revoked or changed during your lifetime. But no matter what your charitable plans, make sure you have a valid will and regularly review it so it meets the changing needs of you and your family.

IRAs and Retirement Plans

Retirement fund assets can be one of the most significant assets left in an estate.

Unfortunately, the gift of an IRA to a child or grandchild—or anyone other than a spouse or charity—can be one of the costliest gifts of all. Retirement funds given to children or grandchildren can be double taxed, or worse. They’re often hit by federal estate taxes, state death taxes, income tax, and generation-skipping taxes. The vast majority of an IRA could be eaten up by taxes, leaving only a fraction for your intended beneficiaries.

For many donors, the best tax-wise way to deal with IRAs and other retirement assets estate plans is to name either a spouse or a charity (or both) as survivor beneficiary. Naming your local council as an alternate or contingent beneficiary of your retirement accounts is as simple as requesting a change-of-beneficiary form from your plan administrator. IRAs and other retirement accounts may also be used to fund a testamentary charitable trust.

As of 2012, you can no longer make current lifetime gifts from your IRA without being taxed on the withdrawal. **PLEASE SEE 2016 UPDATE -- GOOD NEWS IS THERE!**



NON-CHARITABLE GIFT PLANNING

Charitable gifts play an important role in the estate planning of many. However, there are other planning strategies that may be combined with these gifts to help preserve your estate for your family and loved ones. These include:

1. *Unlimited Marital Deduction*: The amount that can be given by one U.S. citizen spouse to another, either during life or at death, is *unlimited*.
2. *Lifetime Exclusion*: There is a lifetime credit available that allows you to “shelter” non-spousal transfers, such as to children, grandchildren, and others. You can use it during your life, a little bit at a time, or in your estate plan to save taxes. These amounts are *per person*, not per couple. The amount that can be protected from gift and estate taxes changes almost every year.

Currently, the protected transfer amounts are:

2012	\$5,120,000	PLEASE SEE 2016 UPDATE
2013	\$1,000,000 (as of August 2012)	

As with all planning, discuss this with your own advisers, especially considering the planned and possible changes in tax legislation that may affect these rules starting in 2013.

PLEASE SEE 2016 UPDATE

3. *Annual Exclusion*: An annual exclusion for gifts is *also* available during your life. As of 2012, you can give \$13,000 each year to as many people as you want. If you are married, your spouse can also give \$13,000 a year to anyone he or she chooses. So couples can pass \$26,000 a year to each child or grandchild (or anyone) without owing gift tax.

These gifts do *not* reduce your lifetime exclusion. For gifts that exceed your annual exclusion, you must either pay gift tax on the excess, or use part of your lifetime exclusion to offset the tax. (The annual exclusion is supposed to increase in 2013.)

4. *Use of QTIP Trusts and Credit Shelter Trusts*: These trusts may help you preserve your assets and provide the flexibility you need in your estate plan. They allow you to place funds in trust, designate the use and beneficiaries of the income and principal, and save taxes in the process.

5. *Four Good Tax-Savings Techniques*

- A. Try to itemize your deductions, rather than rely on just your standard deductions.
- B. If you are in a high tax bracket, shift as much fully taxed income (such as dividends and taxable interest) to income that is tax-free or long-term capital gain.
- C. Try to shift some investment income to family members in a tax bracket lower than yours. This can be done either outright or through trusts.
- D. Defer income to years when you're in a lower tax bracket, and take deductions in years when you're in a higher tax bracket; deferred gift annuities and CRTs are ideal for this.



MAJOR GIFTS RECOGNITION

The BSA and the Foundation have three primary recognition opportunities:

James E. West Fellowship

For gifts to local councils that are designated to a council endowment fund. The four levels are:

\$1,000	Bronze Member Level
\$5,000	Silver Member Level
\$10,000	Gold Member Level
\$15,000	Diamond Member Level

Gifts at the \$5,000, \$10,000, and \$15,000 levels may be cumulative. Also, individuals and corporations frequently make these gifts in honor or memory of others.

The Second Century Society

For outright gifts payable over a five-year period or deferred gifts of \$100,000 or more to local councils, the Foundation, high-adventure bases, or any BSA entity. These gifts may be for operating, capital, or endowment, and the four levels are:

\$25,000	Member Level (gifts at this level may not be deferred)
\$100,000	Member Level
\$500,000	Member Level
\$1,000,000	Member Level

Donors making \$100,000-plus outright gifts are designated “Members with Distinction,” and donors making \$500,000-plus deferred gifts are designated “Legacy Members.” These groups also receive special recognition and opportunities. There are also new “Lifetime Investor” levels starting at \$500,000.

Presidents Leadership Council

For gifts to or through the BSA Foundation within a five-year period, either outright or part of an advised fund, designated fund, trust, or other Foundation gift structure. Gifts may be designated to any BSA entity, and must be a minimum of \$1,000,000.

These donors receive the highest and most personal recognition and access opportunities.



FOR MORE INFORMATION

The Foundation offers more information in two places:

1. The Foundation's website, www.bsafoundation.org
2. Our charitable gift-planning website, www.bsagiftplan.org

This gift-planning website includes some excellent tools, such as:

- A *gift calculator* available to you at your convenience, to help you quickly and easily calculate the estimated tax benefits and deductions of numerous types of gifts to the BSA
- An area for professional advisers, with a great deal of technical information and IRS references to assist your advisers in considering the right gift
- Case studies and donor testimonials from others with planning challenges

The Foundation has a team of major gift advisers ready to assist you with any questions. They can also provide a personalized, detailed proposal for any of the gifts described in this booklet (and a few others as well). These proposals are *free of charge and confidential*, shared directly with you and **ONLY** with you (unless you specifically request we send them to your advisor or family member).

Call us at 1-800-BSA-INFO, or email us at diane.smith@scouting.org. Also, please ask your council Scout executive if he or she has additional tools or resources. Thank you for all you do for Scouting.

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