



*Leave a Legacy Through Planned Giving*

*Imagine the Possibilities...*

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**Baptist Children's Homes** *of* **NORTH CAROLINA**

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1.800.476.3669 ext. 1209

[www.bchlegacy.org](http://www.bchlegacy.org)

***Each one should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver.***

**– 2 Corinthians 9:7**

## ***Introduction***

In his excellent book, ***Give to Live – How Giving Can Change Your Life***, Douglas M. Lawson, Ph.D., takes a spiritual approach to charitable giving. An ordained Methodist minister, this nationally prominent fundraiser and management consultant proposes in his book that there are many physical, emotional and spiritual benefits received through the act of thoughtful giving.

While the physical benefits of better health and the emotional benefits of reduced stress are very attractive, it is the spiritual benefits that bring deep, inner joy. Following are the spiritual benefits as suggested by Dr. Lawson:

- Greater connectedness to God
- More receptivity to spiritual guidance
- Added involvement in charitable activity
- Heightened sense of appreciation and acceptance of others
- Sustained peace of mind
- Greater clarity about the meaning and purpose of life
- Enhanced quality of life

It is our desire that this booklet will assist you in your search for the joy of charitable giving.

## ***Purpose***

The purpose of this brochure is to help you better understand your various charitable-giving options. Some options provide immediate financial assistance to Christian ministries while others provide income to self or family first. All gifts should be cheerfully made by well-informed donors.

## ***Ways You Can Give***

### ***Gifts of Cash***

The simplest and fastest way to make a charitable gift is to give cash, usually by personal check. Outright gifts of cash are fully deductible in the year of the gift (for those that itemize) to the extent of 50% of adjusted gross income. Unused portions

may be carried over for up to five additional years.

### ***Gifts Of Securities***

There is an added advantage when donating stocks and bonds that have appreciated in value and are owned for more than one year. Generally, when an owner sells securities, there is a capital gain tax due on the amount the securities increased in value over the original purchase price. The amount of the tax is based on the donor's federal income tax bracket. By donating appreciated securities to charity and allowing the charity to sell them, the capital gain tax is avoided. Gifts of appreciated securities are deductible in the year of the gift to the extent of 30% of adjusted gross

income. For securities that have lost value, the donor should sell the asset and donate the net proceeds, because the donor can claim a capital loss.

**Example:** The Browns own stock they purchased several years ago for \$2,000 that is now worth \$10,000. They want to establish an endowment for the benefit of BCH and are considering whether to give cash or the stock. Their advisor told them that, based on their 25% income tax bracket, they would have to pay a 15% federal capital gains tax on the \$8,000 increase in value if they sell the stock.

The following chart shows the net results for three options the Browns have for funding their

endowment:

**Option 1: Give \$10,000.00 Cash**

Cash Value-\$10,000.00

Capital Gains Saved or Paid-N/A

Ordinary Income Tax Saved-\$2,500

Net Tax Savings-\$2,500

Net Given to Endowment-\$10,000

**Option 2: Sell Stock, Pay Tax, Give Balance**

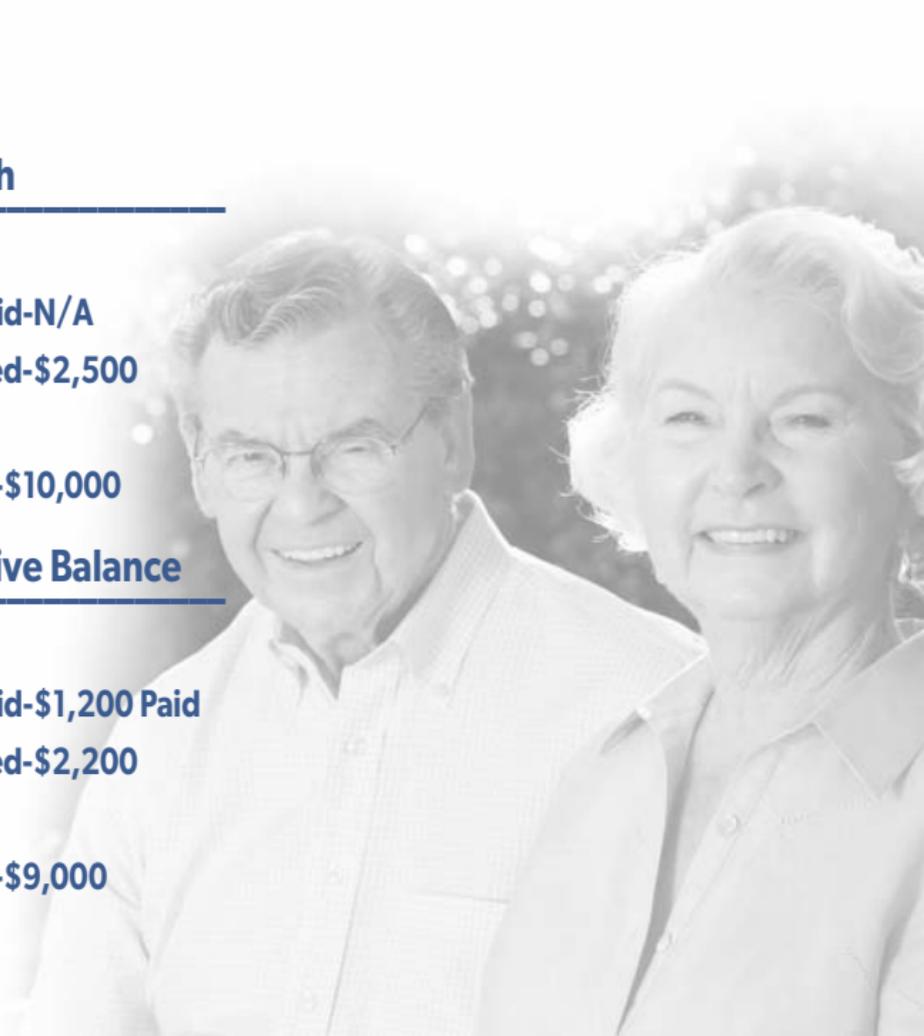
Stock Value-\$10,000.00

Capital Gains Saved or Paid-\$1,200 Paid

Ordinary Income Tax Saved-\$2,200

Net Tax Savings-\$1,000

Net Given to Endowment-\$9,000



### **Option 3: Give Stock**

**Stock Value-\$10,000.00**

**Capital Gains Saved or Paid-\$1,200 Saved**

**Ordinary Income Tax Saved-\$2,500**

**Net Tax Savings-\$3,700**

**Net Given to Endowment-\$10,000**

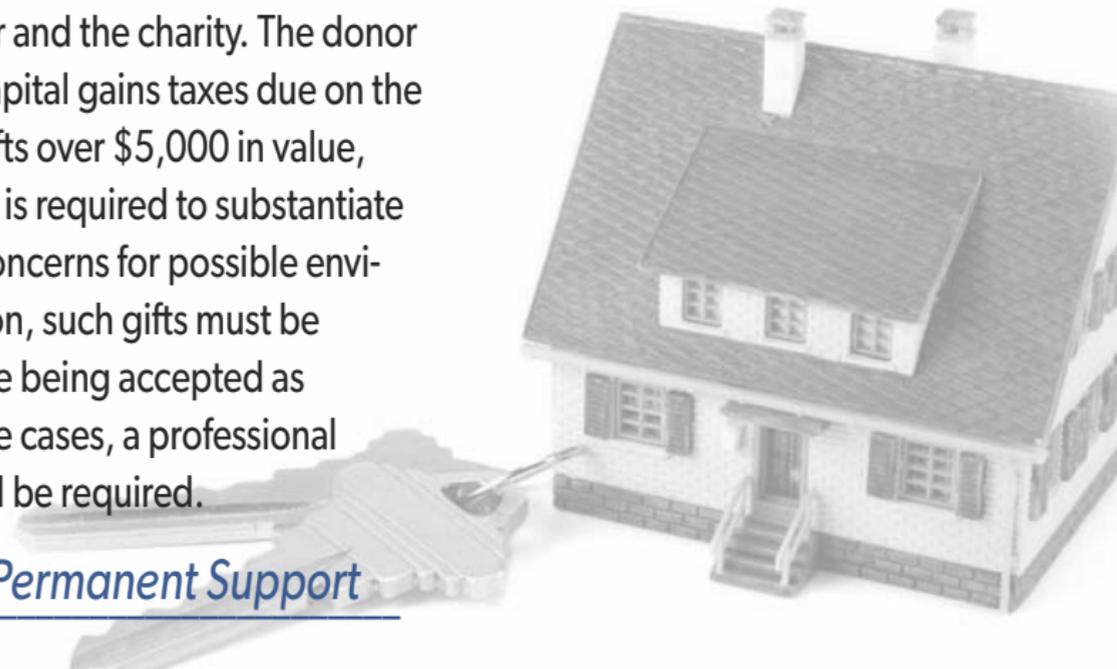
### ***Gifts of Real Estate***

Gifts of real estate generally follow the same rules as securities with regard to deductibility (see above). With real estate, it is possible to give a fractional interest in property by deeding an undivided interest. When undivided interests are donated and the property is jointly sold, the sale proceeds are

split between the donor and the charity. The donor is responsible for any capital gains taxes due on the retained portion. For gifts over \$5,000 in value, a professional appraisal is required to substantiate the value. Because of concerns for possible environmental contamination, such gifts must be closely examined before being accepted as a charitable gift. In some cases, a professional environmental audit will be required.

### **Endowments Give Permanent Support**

An endowment is a special fund that is set up for providing permanent income support for a named charity or charities. The trustee of the



endowment invests the donation, and the earnings are distributed to the designated charities annually. Endowments may be established in the name of the donor or they can be named in honor or in memory of someone special. Endowments can be added to at any time and in any amount. Many choose to add significantly to their endowments by Last Will and Testament.

**Example:** Tom and Beverly Langford would like to set up a fund to provide annual support for Baptist Children's Homes. They want to donate some stock this year that they purchased for \$5,000 twenty years ago that is now worth \$25,000. The stock ownership is transferred and

a short endowment agreement is prepared and signed by the Langfords. The Langfords have an annual income of \$60,000, so they can utilize \$18,000 of the deduction the first year. The remaining \$7,000 will be available the following year. The stock is sold, and BCH begins receiving the income from the investment in the name of Tom and Beverly Langford, forever.

### *Donor Advised Funds Give Flexibility*

A donor advised fund is a special type of fund established to receive charitable gifts when no specific charities are named at the time of the gift. At some point in the future, the donor writes and

requests that a distribution of a specific amount be paid to a named charity. The request is reviewed and once approved, a check is sent to the charity. A donor advised fund may be created to pay out income only or it may direct that income and principal be available. Contributions are fully tax deductible, and the donor advised fund may be added to at any time.

### *Gifts Can Provide Income to the Donor or Donor's Family and Then to Charity*

A charitable remainder trust (CRT) is a special vehicle approved by the Internal Revenue Service that allows individuals to make a charitable gift

and yet receive the income from the gift for life (or lives) or for a term of years. After the selected trust period is over, the assets remaining in the CRT are delivered to the named charity(ies).

Because the assets eventually go to a charity, special tax benefits are available to the donor at the time of the gift. The assets remaining in the CRT are used to establish a permanent endowment with the donor naming the charities to receive the endowment income.

#### ***Tax benefits available for establishing CRTs include:***

- ☐ **Income tax deduction for a portion of the gift.**

- Bypass of capital gains tax upon the sale of long-term appreciated assets.
- Possible estate and gift-tax savings.

**Other benefits may include:**

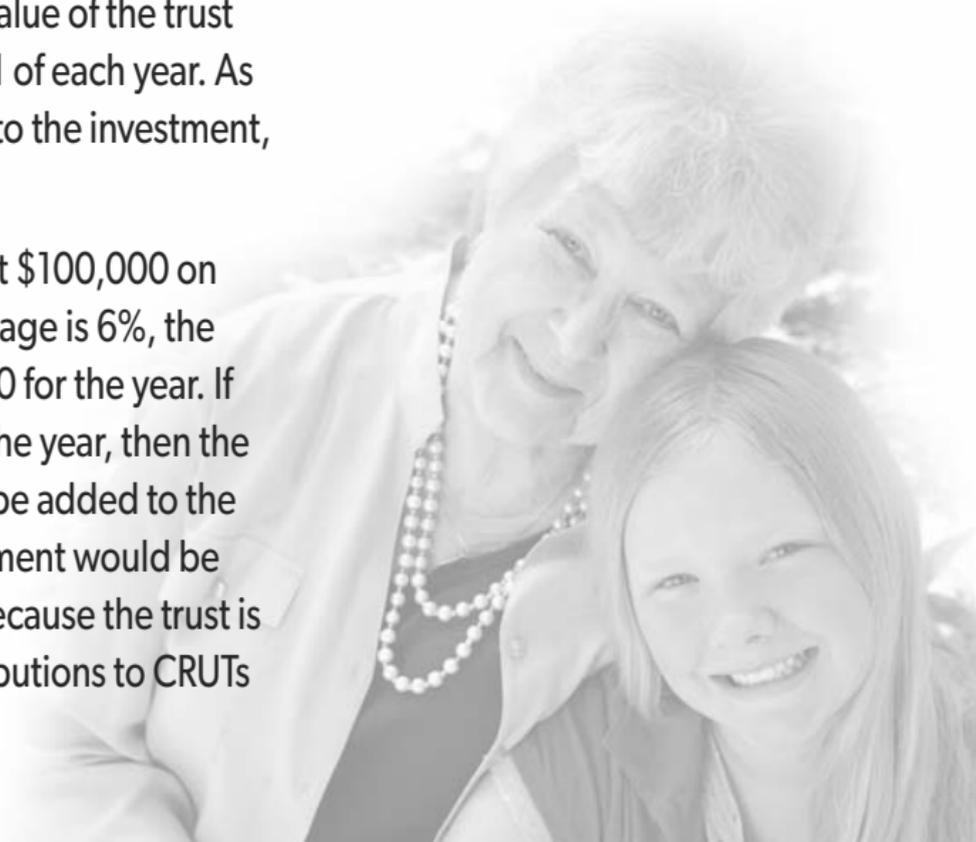
- Increased income from a non- or poor income-producing asset.
- Financial support for a family member.
- Professional money management.
- A way to provide significant and permanent future support for Christian ministries.

There are two types of CRTs, the unitrust and the annuity trust.

**Charitable Remainder Unitrust (CRUT)**

A CRUT pays income based on a set percentage that is multiplied by the market value of the trust principal as revalued on January 1 of each year. As the principal value changes due to the investment, so does the payment.

**Example:** If a trust is valued at \$100,000 on January 1 and the payout percentage is 6%, the beneficiary would receive \$6,000 for the year. If the trust earned \$8,000 during the year, then the extra \$2,000 of earnings would be added to the principal. The next year, the payment would be based on 6% times \$102,000. Because the trust is revalued each year, future contributions to CRUTs



are allowed. Other CRUT options are available.

### **Charitable Remainder Annuity Trust (CRAT)**

A CRAT pays a fixed income based on a set percentage that is multiplied by the value of the gift going into the trust. The payment remains the same for the duration of the trust, regardless of the investment returns. Because it makes a fixed payment, CRATs cannot accept future contributions.

**Example:** If a trust is funded with \$50,000 and the payout percentage is 7%, the trust would pay \$3,500 each year and would not fluctuate.

### **Charitable Gift Annuity (CGA)**

A CGA is a contract between the donor and the charity whereby the donor is exchanging a gift for an assured fixed payment for life. Payment may be made for one or two lives. The size of the payment is based on the ages(s) of the payment recipients; the older the recipient(s) the larger the payment may be.

Donors are allowed a tax deduction for a portion of the amount gifted to the CGA. For the recipient's life expectancy, a portion of each payment will be tax-free. When funded with appreciated assets, part of the capital gains tax is forgiven, and the rest is spread over the donor's life expectancy.

Capital gains are treated differently when a CGA is created for someone other than the donor and/or a spouse.

**Example:** A \$10,000 cash CGA was established in year 2015. Available rates are revised by the American Council of Gift Annuities from time to time.

### **\$10,000 Charitable Gift Annuity – Single**

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**Age 65:** Payout Rate & Annual Payment-**4.7%/ \$470**  
Approx. Payment Tax Free-**\$367**  
Approx. Income Tax Deduction-**\$2,848**

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**Age 75:** Payout Rate & Annual Payment-**5.8%/ \$580**  
Approx. Payment Tax Free-**\$482**

Approx. Income Tax Deduction-**\$4,216**

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**Age 85:** Payout Rate & Annual Payment-**7.8%/ \$780**  
Approx. Payment Tax Free-**\$706**  
Approx. Income Tax Deduction-**\$5,485**

### **\$10,000 Charitable Gift Annuity – Couple**

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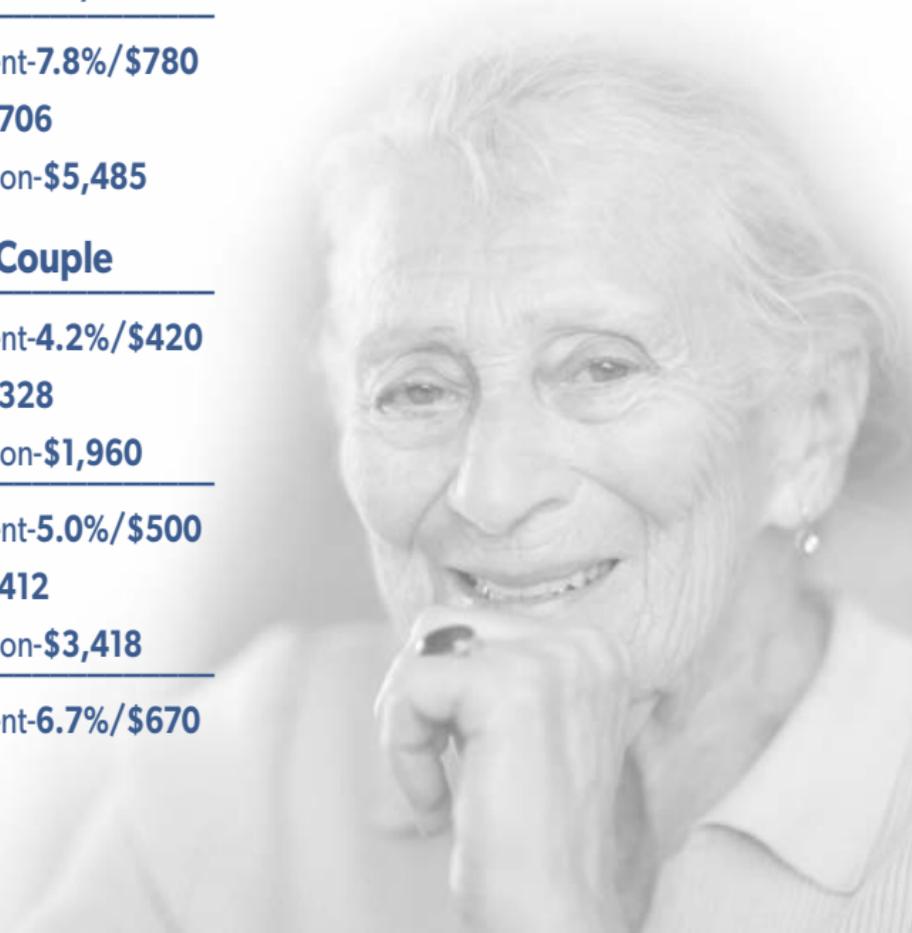
**Age 65+65:** Payout Rate & Annual Payment-**4.2%/ \$420**  
Approx. Payment Tax Free-**\$328**  
Approx. Income Tax Deduction-**\$1,960**

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**Age 75+75:** Payout Rate & Annual Payment-**5.0%/ \$500**  
Approx. Payment Tax Free-**\$412**  
Approx. Income Tax Deduction-**\$3,418**

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**Age 85+85:** Payout Rate & Annual Payment-**6.7%/ \$670**



Approx. Payment Tax Free-**\$590**

Approx. Income Tax Deduction-**\$4,636**

## *Gift Provides Income to Charity and then Goes Outright to Family*

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### **Charitable Lead Trusts (CLT)**

A CLT is often described as being the opposite of a CRT. This type of trust pays income to a charity for a defined period of time, and when the trust terminates, the assets go back to the donor or are transferred to family. The most common are called non-grantor CLTs that go to family. Typically, they are funded with assets that are expected to appreciate significantly over time and then be

transferred to family with reduced gift or estate taxes. Because of their complexity, CLTs are generally used by individuals with larger estates and who are very charitably inclined.

## *Remembering Family & Charity at Death*

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### **Last Will and Testament**

Individuals are often able to make significant gifts to family, close friends, and special charities through their Last Will and Testament, especially when there is not a surviving spouse. Gifts to family may be outright bequests, or they may be in the form of trusts. Gifts to charity may also be outright bequests, or they may be deferred gifts such as

charitable remainder trusts or charitable gift annuities. Charitable gifts made at death are generally eligible for estate tax deductions. The charitable remainder trust provides an exciting opportunity to create a legacy for both family and charity – a concept best described as Giving It Twice.

**Example:** **Giving It Twice:** Elizabeth Tyson was a widow with three grown children, and she and her husband had worked hard to earn what they had accumulated. She loved her children and wanted to pass the estate on to them at her death. She also loved her church and its active missions work. In her Last Will and Testament, she created a charitable remainder annuity trust paying a 7%

fixed payment to her children for a term of 15 years based on the value of her entire estate. At her death, the total estate came to \$200,000, and her children received checks in the amount of \$14,000 each year for a total of \$210,000. After making these payments, the trust rolled over into a permanent endowment in Elizabeth's and John's name, paying annually to her church for mission causes – and it will pay the income until Jesus returns. Elizabeth had indeed given her estate twice, once to family and then again to the Lord's work. One key point to remember when doing estate planning is that not all assets are transferred at death by Last Will and Testament. Life insurance, retirement accounts, deferred annuities, and the



like are called non-probate assets and are transferred by using a beneficiary designation form. Check with your advisor for your specific situation.

### ***Life Insurance***

Life Insurance is often purchased early in life and then later not needed for its original purpose. Such policies can be used to fund an endowment for Christian ministry support. If it is a paid-up policy and the ownership is transferred to Baptist Children's Homes, a charitable deduction would be available approximately equal to the policy's cash value. If it is a term-type policy and the ownership is transferred to BCH, charitable deductions would be available for any premium payments made to keep

the policy in force. When BCH is named as the beneficiary and not the owner, a current deduction is not available, but an estate tax deduction would be available for the amount of the insurance proceeds.

Life insurance for the benefit of children can also be a powerful tool to replace an asset given to a charity while living. Parents can establish a charitable remainder trust for their own benefit (gift to a charity comes later) and use the deduction and part of the trust payments to purchase a second-to-die policy on their lives. If structured properly and owned by the children inside a trust, the children can receive their inheritance

completely tax-free. This is commonly referred to as a wealth replacement trust.

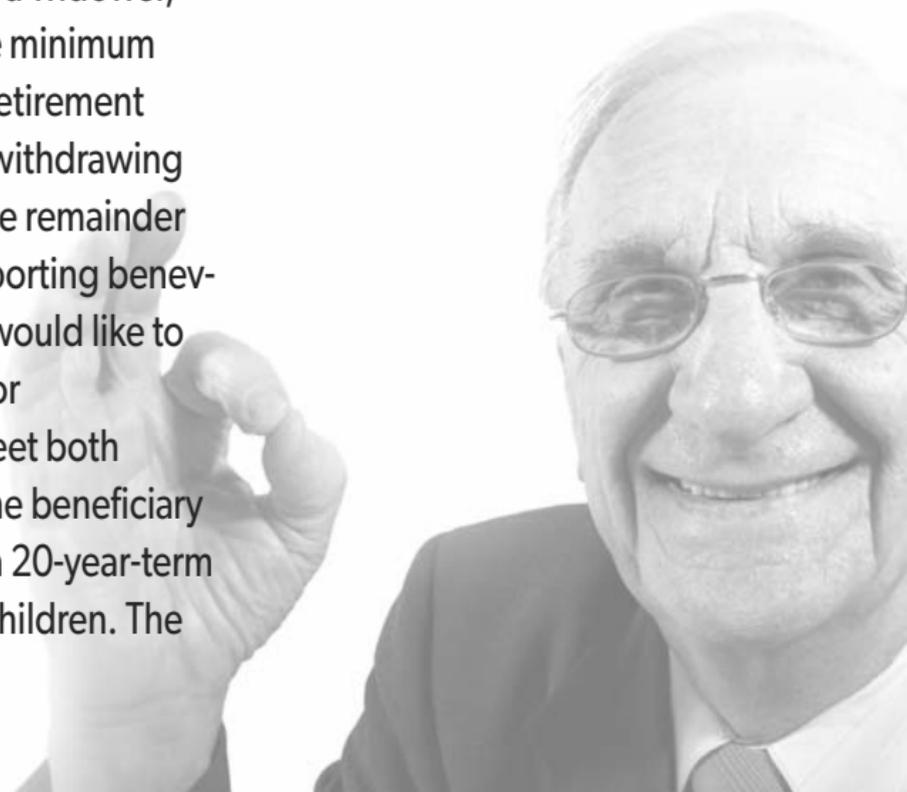
### **Retirement Plans**

Retirement plan assets have replaced the home as the largest asset owned by the typical family. Because retirement assets may be substantial in size and because they may be subject to both income and estate taxes at death, they are often considered a preferred asset to give to charity. They may be donated at death to a charity by beneficiary designation form, to fund an endowment, or they may be donated the same way to fund a charitable remainder trust for family. The agreements to receive these at-death gifts

need to be prepared while living.

#### **Example:**

**Charitable Trust Funded With Retirement Asset:** Henry Thompson, a widower, is 72 and has started withdrawing the minimum amount required from his individual retirement account (IRA). He hopes to continue withdrawing just the minimum amount and pass the remainder to his children. Henry is active in supporting benevolent causes through his church and would like to ensure that this ministry is provided for beyond his lifetime. He decides to meet both objectives by naming the charity as the beneficiary of his IRA for the purpose of funding a 20-year-term charitable remainder unitrust for his children. The



charity assists his attorney in getting an unfunded trust agreement in place. At his death, the IRA assets will be transferred to the charity, and no income taxes will be owed on the gift. Because Henry's estate is sizeable and will likely be subject to estate taxes, the unitrust will provide needed estate tax relief for a portion of the gift. The trust will make sizeable payments to the children for 20 years, and they are only taxed on the income as they receive it. He is able to pass significant assets to the children over time and also ensure that His Kingdom work will continue.

**In providing this brochure, neither the author nor this organization is engaged in rendering a legal or tax advisory service. Charitable and planned gifts involve the complex rules of both federal and state laws. Advice from legal counsel or other personal tax advisors should be sought. The Treasury tables for computing charitable deductions change monthly.**

*The text was written by Bill Overby, Director of Development and Trustor Services, North Carolina Baptist Foundation.*

## ***Your Support Team***

If you have questions or need more information, call 1-800-476-3669 ext. 1209, or contact the BCH development officer nearest you. You may also send an email to [mylegacy@bchfamily.org](mailto:mylegacy@bchfamily.org)



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## Since 1885...

As one of the premier child care institutions in the nation, Baptist Children's Homes (BCH) provides only the highest quality of care through a highly trained, highly qualified, Christian staff whose personal and professional vision is *"sharing hope... changing lives."*



1. **Hayesville:** Home for boys & girls
2. **Franklin:** Home for boys and home for Family Care
3. **Clyde:** Homes for boys & girls (Transitional Living available)
4. **Craig Cottage near Ridgecrest:** Vacation home for residents
5. **Lenoir:** Home for teenage mothers (or expecting teens) and their babies
6. **Thomasville:** Homes for boys, girls and Family Care (Transitional Living available)
7. **Broadway:** Homes for Family Care
8. **Cameron:** Residential wilderness camp aiding boys and their families
9. **Aberdeen:** Residential wilderness camp aiding girls and their families
10. **Marston:** Home for Family Care
11. **Pembroke:** Homes for boys, girls and Family Care
12. **Kinston:** Homes for boys, girls and Family Care (Transitional Living available)
13. **Ahoskie:** Home for Family Care
14. **McNeill Cottage at Indian Beach:** Vacation home for residents
15. **Asheville:** Adult DDM Home
16. **Zionville:** Two Adult DDM Homes
17. **Winston-Salem:** Two Adult DDM Homes
18. **Asheboro:** Adult DDM Home
19. **Marshville:** Adult DDM Home
20. **Sanford:** Two Adult DDM Homes
21. **Xela, Guatemala:** Orphanage and medical clinic

\*DDM -- Developmental Disabilities Ministry

# Contact me.

I need more detailed information about one or more of the various charitable gift options.

I need assistance with making a gift that will provide income now for Christian causes.

**I am interested in:**  Endowment  
 Donor Advised Fund

I am interested in making a gift that would provide income to me and/or my family now, and then provide income for Christian causes.

## **I am interested in:**

- Charitable Remainder Trust
- Charitable Remainder Annuity Trust
- Charitable Gift Annuity

I am interested in making a gift to provide income now for Christian causes, and later transferring it back to my children or me.

## **I am interested in it going:**

- To me (Grantor Charitable Lead Trust)
- To my children (Non-Grantor Lead Trust)

I am interested in making estate-planning decisions that would make a charitable gift at my death.

## **The tool(s) I would like to use to do this are:**

- Last Will and Testament
- Life Insurance
- Retirement Plan

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Daytime phone \_\_\_\_\_

Nighttime phone \_\_\_\_\_

Email \_\_\_\_\_



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