



RETAINED LIFE ESTATE GIFTS

Make a greater gift than you might have thought possible and receive immediate tax benefits without changing your living situation.

Your home is one of your most valuable assets. With a Retained Life Estate, you can give your home to the Arts Council of Moore County and continue to live in it for as long as you wish.

A Retained Life Estate may be right for you if:

- ❖ You want to continue to live in your home.
- ❖ You do not plan to pass on your home to family or other heirs.
- ❖ You itemize your income tax deductions and want to save on income taxes now.
- ❖ You want to make a significant gift to the Arts Council of Moore County.

How it Works

1. You transfer the deed to your home to the Arts Council of Moore County.
2. You continue to live in your home for as long as you wish. You remain responsible for upkeep, taxes, and other expenses during this time.
3. When the plan ends, the Arts Council will become the sole owner of your home. Typically, we will then sell your home and use the proceeds for the program or project of your choice.

More Information – A donor may receive a charitable deduction for the transfer of a remainder interest in a personal residence, farm or ranch. The donor deeds the personal residence or farm to a qualified exempt charity and reserves a life estate. The life estate may be a personal right for the donor to use the property, or more commonly a right to the use of the property during the donor's lifetime. The latter option would allow the donor to lease the property and receive rental payments during his or her lifetime.

Personal Residence or Farm – A remainder interest may be transferred in any property used by the donor as a personal residence, which is defined as “any property used by the taxpayer as his personal residence even though it is not used as his principal residence.” This may include the taxpayer's vacation or even stock owned by a taxpayer as a tenant-stockholder in a cooperative housing corporation and if the dwelling which the taxpayer is entitled to occupy as such stockholder is used by him as his personal residence.

A remainder interest in a farm also qualifies for a charitable deduction. A farm is property (including the fixtures, buildings, grain bins, and other permanent improvements) used by the taxpayer or tenant to produce crops, fruits, agricultural products, or the sustenance of livestock. Nearly any property used as a residence or for agricultural purposes will qualify for a life estate gift.

Example: Will Jefferson has lived in his modest home on a 4-acre lot for many years. He now is age 80 and his IRA distributions continue to increase. In order to create a charitable deduction to offset his increased taxable income, Will is contemplating transferring the remainder in his home to charity. With his IRA and other assets, he has substantial liquidity and will not need the value of the home for living expenses.

Will decides to deed the remainder interest in the home to his favorite charity. Based upon his age, he receives a charitable deduction of \$201,930. This deduction is an appreciated-type deduction usable to 30% of adjusted gross income. Over a period of 4 or 5 years, this charitable deduction will save \$70,676 in income taxes. The deduction is based on assumed values for the residence of \$50,000 and for the land of \$250,000. While it is unusual for such a modest residence to be on expensive land, Will has lived on that property for many years and the adjoining city has now developed all around his property, thus increasing substantially the value of the land.

Contacts for additional information:

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NOTE: This information is taken from sources believed to be reliable but is not guaranteed as to completeness or accuracy. You are urged to seek the advice of your financial planner, attorney, and/or tax advisor to make certain a contemplated gift fits well into your overall circumstances and planning.