LEAVING A Legacy OF COMPASSION

An LCFS Planned Giving Resource Guide

Lutheran Child and Family Services of Illinois
When Lutheran Child and Family Services’ Shepherd Society was founded, we had the vision that our mission of bringing love, compassion and hope must continue for future generations. Today, gifts designated to the LCFS Endowment Fund provide a solid financial foundation that sustains our programs and provides opportunities to expand and encourage innovations that help make us a leading provider of social services.

Blessed by generous contributors, LCFS has thrived during trying times, but we understand the importance of growing our endowment in order to ensure our future is one of even greater service, stability and impact. The value of a strong endowment is that it provides a foundation for us to build upon so that we are in a solid financial position to improve the well-being of children, families and communities.

I am deeply honored by your dedication to our mission. I hope you will join us by becoming a Shepherd Society member through a planned gift to LCFS’ Endowment Fund or by designating your gift to a specific program. Your participation is an enduring testimony of your dedication to helping LCFS care for those we are called to serve.

Sincerely,

[Signature]

Gene L. Svebakken
President and CEO
Rewards of Planned Giving

Lutheran Child and Family Services of Illinois is a leading provider of high-quality community-based and innovative social services responsive to the needs of children and families. Your planned gift to LCFS helps ensure we are financially secure and in a position to respond to the increasing needs of those we are called to serve.

Planned gifts also offer many benefits, including current income tax deductions, as well as reduced estate taxes in the future. Bequests, charitable gift annuities, gifts of stock, trusts, beneficiary designations, and even real estate gifts offer real value to you and your family and enable you to provide vital support to LCFS’ programs and services.

This Planned Giving Resource Guide outlines the features and benefits of your gift options. As you prepare for your estate plans, your family’s future and your philanthropic support of the ministries you value, please consider the impact your planned gift could have on LCFS’ mission to provide quality and responsive services to children and families in need throughout Illinois.
**Wills or Living Trusts**

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**Key Benefits**

- **Avoidance of “death taxes” and possibly income taxes for your estate.**

- **Retirement accounts, financial or brokerage accounts can be left to LCFS through a simple beneficiary change.**

- **Bequests can pay lifetime income to a family member before benefiting LCFS.**

- **Gift plans can be revised or revoked at any time.**

**Bequests** have long been a thoughtful way for people to provide important support for worthwhile causes. A gift to LCFS through your will or living trust allows you to retain full use of your gift assets during your lifetime.

An example of this type of giving is designating LCFS as a beneficiary in your will. This is a significant way of donating, since any amounts left to LCFS through your estate plan will avoid state or federal “death taxes.” Bequeathing U.S. savings bonds, retirement accounts and other tax-burdened assets may also avoid income taxes for your estate or heirs.

Your bequest to LCFS can be arranged as a gift of a certain dollar amount, a particular asset, a percentage of your estate, the residuals of your estate (whatever remains after all other bequests are satisfied), or a percentage of the residuals. We will be happy to provide you and your attorney with standardized language for designating LCFS in your will or living trust.

Call Phillip Jiménez at 708-488-5555 or e-mail phil_jimenez@lcfs.org.

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CASE STUDY:

Donor

Henry’s estate includes more than $100,000 in Series E and EE savings bonds. His attorney tells him that heirs who receive the bonds will owe income taxes on $60,000 of accumulated interest.

Tax-Saving Strategy

Henry decides to make a bequest in his will that transfers the savings bonds specifically to LCFS.

Benefits

• LCFS can cash the bonds free of income tax and put every penny to good use.
• The bonds’ value will be 100% deductible for estate tax purposes.
• If desired, Henry’s bequest could pay lifetime income to a family member, then help LCFS.

We encourage all of our friends to prepare a will, or review current estate plans to ensure that they are up to date with your planning needs and desires. It’s a simple matter to add a bequest to LCFS, and we would be pleased to be of assistance to you and your advisers.
Charitable Gift Annuities

Key Benefits

• Lifetime payments for you or one or two persons of your choice.
• Charitable deduction for part of the value of the gift.
• Annual payments that are partly tax free during the recipients’ life expectancy.
• Reduced capital gains taxes when you fund your gift with appreciated securities.
• A portion of the lifetime payments may be made with lower-taxed capital gains rather than ordinary income.

The concept of a charitable gift annuity is simple. You donate assets that we reinvest. We agree to make fixed payments to you, or you and another person, for life. Then, the funds are available for Lutheran Child and Family Services’ immediate and/or future use.

Payments are based on the ages of the income recipients and are generally larger than returns from dividends or interest because part of what you receive is a tax-free return of principal. Importantly, you cannot outlive your gift annuity payments.

Charitable deductions are substantial, and you can fund your gift annuity with cash or appreciated securities, which will provide capital gains tax savings.
CASE STUDY:

**Donor**

Dave, age 65, has stocks currently valued at $20,000 that he purchased for $4,000 several years ago. He will have $16,000 in capital gain if he sells the securities and is in a 35% income tax bracket.

**Tax-Saving Strategy**

Contribute the stock to LCFS in exchange for a charitable gift annuity.

**Benefits**

- Dave obtains a $7,106 income tax charitable deduction.*
- Dave avoids tax on part of his capital gain and the rest will be reported as part of his annual payments over his life expectancy.
- Dave receives $1,200 annually for life, which is favorably taxed as follows: $518 capital gain, $130 tax-free return of capital and $552 ordinary income.

* Based on quarterly payments and a 5.0% charitable mid-term rate.
TAX-WISE, stocks, bonds and other securities that have gone up in value are the very best assets a person can give to LCFS. Why? Because donors receive a double tax benefit: They can deduct the full fair market value of their appreciated assets—not just what they paid originally, if they have owned the securities more than one year. They save again by avoiding all capital gains taxes on any not yet recognized or taxed profit.

Gifts of stocks and bonds are easy to make. If you plan to contribute stock held in “street name” (held in a brokerage account), just have your broker contact our office. Stock certificates can be sent by registered mail, unendorsed, to our office, accompanied by a signed “stock power” that is mailed separately.

Key Benefits

- The full fair market value of your securities is deductible, not just your original cost, if you have owned them more than one year.
- No capital gains tax is due on your paper profit.
- Gifts are deductible up to 30% of your adjusted gross income, but any excess can be carried over and deducted for up to five years.
- Even donors who do not “itemize” deductions can save capital gains taxes.
CASE STUDY:

**Donor**

Joanna wishes to make a gift of a size that would truly “make a difference.” She has been accumulating shares in a stock that has split several times and continues to appreciate.

**Tax-Saving Strategy**

Joanna instructs her broker to transfer shares of the stock worth $10,000 to LCFS’ account, selecting the shares that (1) she has owned more than one year and (2) have the lowest cost basis. Her broker informs that her basis in the gift shares is $2,000.

**Benefits**

- Joanna can deduct the full $10,000.
- She avoids a 15% tax on her $8,000 long-term capital gain ($1,200).
- Charitable deduction saves Joanna $3,300 in a 33% tax bracket.
- Total tax savings ($4,500) enable her to give $10,000 for only $5,500.
- LCFS can use the full $10,000, tax free.

**Mutual fund shares can be given to LCFS with the same beneficial effect as listed and actively traded stock. Owners of closely-held companies also have an exceptional opportunity to make gifts of their stock at very low after-tax cost.**
Charitable Remainder Trusts

Key Benefits

• Charitable deduction for a large part of your gift.
• Avoidance of capital gains taxes.
• Low tax rates on trust income possible.
• Broad flexibility to achieve personal and financial goals.
• Services of a professional money manager.
• Lifetime payments for you or one or more persons you select.

You can transfer assets into an arrangement that makes fixed payments (an annuity trust) or variable payments (a unitrust) to yourself, or anyone else you select, for life or for a certain number of years. In many cases your income may actually increase.

When the trust comes to an end, whatever remains passes to Lutheran Child and Family Services, and because the arrangement is irrevocable, your future gift generates a charitable deduction that is available immediately—in the year you set up the trust.

You can custom design your charitable remainder trust and choose the size of the annual payments (5% or 6% are the most common amounts), the frequency of payments (quarterly, semiannual, etc.), and whether your trust will be funded with cash, stocks, bonds, real estate or other assets.
CASE STUDY:

**Donor**

Margaret is 68 and owns an apartment building worth $450,000 that she inherited from her father in 1976. The building has been fully depreciated, meaning she will have a $400,000 capital gain if she sells.

**Tax-Saving Strategy**

Margaret transfers the apartment to a charitable remainder unitrust that will pay her 6% of the value of the trust assets, as revalued once a year.

**Benefits**

- Margaret receives trust income of about $27,000 a year.
- She avoids all capital gains tax when she sets up the trust.
- Charitable deduction of nearly $204,000.
- Trustee can sell the building with no recognized taxes.
- Margaret sheds management responsibilities.

My life is so much easier since I set up my charitable trust. The trustee handles all investments and sends me a quarterly check. It's also satisfying to me to be able to help Lutheran Child and Family Services in such an important way…and my tax savings are a wonderful bonus.

—Margaret
## Gift Comparison Chart

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<td>Defer a gift until after your lifetime.</td>
<td>Supplement income with steady payments that are partially tax-free.</td>
<td>Eliminate tax on capital gains.</td>
<td>Secure a fixed and often increased income, or create a hedge against inflation.</td>
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<td><strong>YOUR GOAL</strong></td>
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<td>Name LCFS in your will or living trust. (Designate a specific amount, a percentage or a share of the residuals.)</td>
<td>Donate a charitable gift annuity to us that pays a set amount for life.</td>
<td>Contribute long-term appreciated stock or other securities.</td>
<td>Create a trust that pays income annually: principal is retained for charitable organization.</td>
<td></td>
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<tr>
<td>• donation is exempt from federal estate tax</td>
<td>• current and future savings on income taxes</td>
<td>• immediate charitable deduction</td>
<td>• receive a variable or fixed income for life</td>
<td></td>
</tr>
<tr>
<td>• maintain control of your assets for your lifetime</td>
<td>• fixed payments for life for one or two individuals</td>
<td>• eliminate capital gains tax</td>
<td>• immediate income tax charitable deduction</td>
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For more information contact LCFS at 708-488-5555
We never know how far one act of kindness will go.  
Our compassion ripples ever outward, touching distant lives—now and forever.

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<td>Reduce gift and estate taxes on assets you pass to children or grandchildren</td>
<td>Make a large gift with little cost to yourself.</td>
<td>Avoid “death taxes” on the portion of IRA retirement accounts that designate LCFS as beneficiary.</td>
<td>Make a gift of property no longer needed and generate an income tax deduction.</td>
</tr>
<tr>
<td>Create a charitable trust that pays fixed or variable income to us for a specific term of years; principal is retained for heirs.</td>
<td>Change ownership on a life insurance policy you no longer need.</td>
<td>Change your account’s beneficiary designation to LCFS.</td>
<td>Donate the property to LCFS.</td>
</tr>
</tbody>
</table>

- reduces your taxable estate  
- your family keeps the property, often with reduced gift taxes  
- current income tax deduction  
- possible future deductions through gifts to pay policy premium  
- percentage of account showing LCFS as beneficiary is not taxed  
- avoid 60–70% tax that would normally apply  
- immediate income tax deduction  
- reduction or elimination of capital gains tax

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*The above examples and benefits may change based on actual circumstances.*
**LEAD TRUSTS**

**KEY BENEFITS**

- Significant estate tax deductions if set up in a will.
- Gift tax savings for lifetime trusts.
- Income tax deductions, with proper planning.
- Return of trust assets to donor or donor’s family when trust ends.

**THE CONCEPT** of a lead trust is similar to lending a charitable organization income-producing assets or cash. LCFS would receive income from the trust assets, but only temporarily. At the end of a term of years selected by you and your advisers, the trust assets return to you or, more commonly, to your children, grandchildren or other family members.

Benefits? Substantial savings in gift tax, estate tax or generation-skipping transfer taxes that may come due whenever you try to give property to your heirs. You’ll also save on income taxes, if the trust is set up during life.

The lead trust is often called the mirror image of the charitable remainder trust, which pays income to individuals with eventual benefit to charities.
CASE STUDY:

**Donor**

Marie has $2 million in stock that she wants to give to her daughter. The stock has a steady 4% yield. If she gives the stock to her daughter, she would owe gift tax of as much as $435,000.

**Strategy**

Transfer the stock to a lead trust that pays LCFS $80,000 a year for 18 years, with the stock then passing to her daughter.

**Benefits**

- Gift tax charitable deduction eliminates all gift taxes, depending on current IRS interest rates and deduction tables.
- No additional gift tax if the stock increases in value.
- Enormous benefit to LCFS programs.
- Daughter receives $2 million when trust ends.
**INSURANCE BENEFICIARIES**

**KEY BENEFITS**

- Gifts are simple; just ask the company for forms to make us owner or beneficiary of a policy.
- Gifts of a policy are tax deductible, as are future premium payments.
- Life insurance passes to LCFS in privacy, outside the probate system.
- LCFS can be named to receive just a portion of policy proceeds.
- LCFS can be contingent beneficiary, should the primary beneficiary die before you.

**INSURANCE BENEFICIARIES**

in addition to providing family protection and peace of mind, can offer a multitude of other benefits—including significant assistance to LCFS.

A gift of a “surplus” policy—one that is no longer needed for family security—can help both you and LCFS. You will be entitled to an income tax charitable deduction for the fair market value of the policy, or your cost basis, if lower. In addition, if you change the ownership on the policy to LCFS, each year you can deduct the annual premiums you pay.* At your death, the full proceeds will come to LCFS.

You can simply name us as beneficiary and keep lifetime ownership rights in a policy. LCFS will receive the proceeds at your death, and your estate will be entitled to a charitable deduction.

*Note: Request a receipt for your premium payments for tax purposes. Premiums are not deductible if LCFS is simply listed as a beneficiary.
CASE STUDY:

**DONOR**

Fred owns a $50,000 life insurance policy he purchased many years ago to protect his wife and young children. Today the children are “grown and flown” and Fred and his wife no longer need the policy for financial security. The cash value is $20,000 and premiums cost $500 a year.

**STRATEGY**

Fred contributes the policy to LCFS and continues to pay the annual premiums.

**BENEFITS**

- Fred deducts about $20,000, reducing his taxes by $5,600 in his 28% tax bracket.
- Fred receives another $500 deduction every year in the future when he pays the annual premiums.
- $50,000 proceeds are paid to LCFS at Fred’s death, free of any “death taxes.”
IRA Beneficiary Designations

Key Benefits

- This easy method of giving can be accomplished by simply changing your beneficiary designation to LCFS.
- You retain lifetime use and control of your savings.
- LCFS benefits 100%, while heirs might keep only 30 or 40 cents on the dollar.
- Gifts are simple to arrange and do not require making or changing a will.

People who own IRAs and other retirement accounts are often shocked to learn that 60 to 70% of their accounts can be lost to taxes at their deaths, through a combination of state and federal “death taxes” and income taxes.

You can leave part or all of your retirement account to LCFS, however, and escape taxes 100% on amounts passing for our benefit. Just ask the administrator of your account for a form to name LCFS as your beneficiary.

Retirement death benefits also can be transferred to a trust that would pay income for life or a set number of years to a beneficiary, with eventual benefit to LCFS. The trust would greatly reduce any federal estate taxes and any income taxes would be minimized upon your death.

For more information contact LCFS at 708-488-5555
CASE STUDY:

DONOR

Sarah has a $1 million IRA (part of a total $3 million taxable estate.) If she leaves the IRA to her daughter Susan, state and federal taxes could take as much as $680,000.

TAX-SAVING STRATEGY

Sarah fills out a new beneficiary form leaving LCFS one-half the IRA. Susan will receive the other half, but has the option to decline part or all of it, which would then pass to LCFS.

BENEFITS

• Taxes are cut in half.
• Susan has option to channel even more of the IRA to LCFS.
• Sarah retains lifetime income from her IRA.
• IRA benefits could be paid, alternatively, to a charitable remainder trust for Susan.

We hope you will consider making LCFS a beneficiary of your retirement plan and that you will share the good news with us. At the very least, consider giving your heirs the option to “disclaim” (decline) a bequest of retirement benefits and specify that they would pass to LCFS, instead. Heirs who realize the severity of taxes may find it more satisfying to have retirement assets go 100% to support LCFS programs.
Real Estate

Key Benefits

- Reduced income tax, estate tax and property taxes.
- Elimination of insurance and upkeep costs.
- Avoidance of capital gains taxes.
- Option to retain lifetime income.
- Option to retain lifetime use of a personal residence or farm.

The Advantages of giving appreciated real estate are similar to those for appreciated securities. First, you avoid capital gains tax on your not yet recognized or taxed profit. Second, you receive an income tax charitable deduction for the full fair market value of the property you contribute.

Gifts are accomplished by deed, and appraisals are required to substantiate your charitable deduction. Real estate can be left to LCFS in your will, and you can also give or leave us a fraction or percentage of a piece of property, with good tax results.

Gifts of personal residences or farmland may be made in which the donor or other persons keep lifetime use of the property. Donors receive partial charitable deductions and avoid capital gains taxes, as well.
CASE STUDY:

DONOR

Thomas has been approached by a developer about selling 40 acres of undeveloped land valued at $450,000. Thomas bought the land many years ago for $50,000 and will owe $60,000 in capital gains taxes when he sells.

TAX-SAVING STRATEGY

Before entering into any sales agreement, Thomas deeds a 20% share of the land to LCFS, fulfilling a lifelong dream he’s had to benefit our programs.

BENEFITS

• Charitable deduction of roughly $90,000, based on a qualified appraisal.

• Avoidance of capital gains taxes on the 20% share transferred to LCFS.

• Deduction reduces his remaining capital gains taxes to less than $20,000.

• LCFS joins in sale of property and receives $90,000 for our programs.

Gifts of real estate can be extremely satisfying, but they require careful planning. We hope you will contact our office to discuss the potential for making a meaningful contribution through real estate.
LCFS SERVICES & PROGRAMS

CHILDREN’S SERVICES
• International and domestic adoption
• Foster care and licensing
• Lutherbrook therapeutic day school
• Residential services—Lutherbrook Child and Adolescent Center and Southern Thirty Adolescent Center

CLINICAL SERVICES
• Individual, marital and family counseling
• Preventive workshops and seminars
• Crisis counseling and critical incident services
• Information and referral services

COMMUNITY SERVICES
• Disaster response services
• Food and clothing distribution
• “Nice Twice” resale shops
• Youth camp and retreat center at Camp Wartburg

We never know how far one act of kindness will go. Our compassion ripples ever outward, touching distant lives—now and forever.

For more information on services or to make an appointment, please call 1-800-363-LCFS (5237) or visit www.lcfs.org.