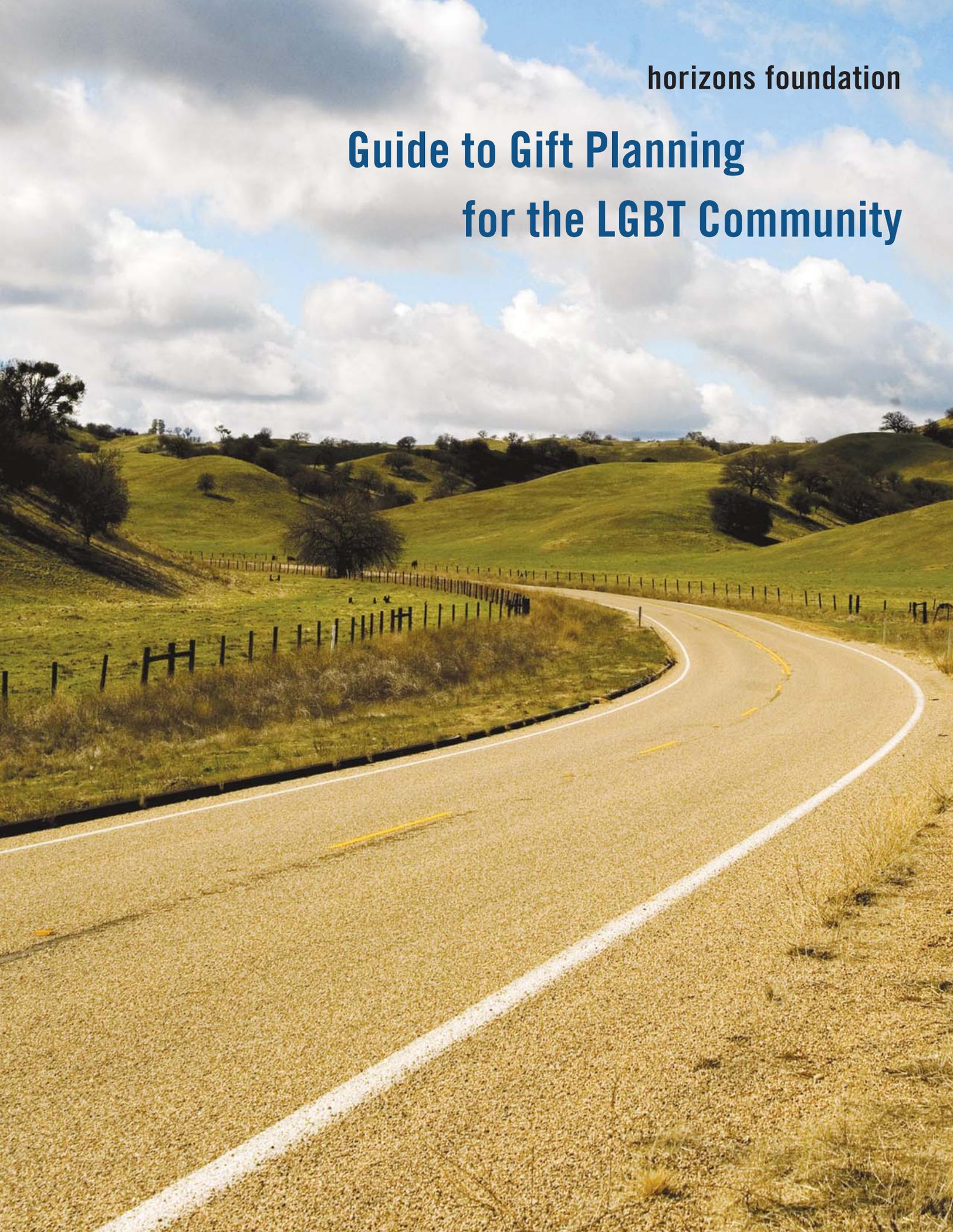


horizons foundation

Guide to Gift Planning for the LGBT Community



About Horizons Foundation

This guide was created by Horizons Foundation, a philanthropic social justice organization, as a resource for LGBT people throughout the Bay Area and beyond. Founded in 1980, Horizons has made grants totaling more than \$20 million to hundreds of nonprofits serving and advocating for the LGBT community. The foundation has also helped thousands of individuals support the community in ways that reflect their personal values—and often realize favorable planning and tax benefits at the same time. Whether that means an unrestricted endowment gift, an endowed fund in the donor's name, or a gift to a particular organization or issue, Horizons is committed to helping you create a legacy that is meaningful both for you and for our community.

Horizons is proud to partner with nonprofit organizations serving the LGBT community both by making grants to them and by helping them increase the support they receive through planned gifts.

Horizons would be honored to advise you. (There are no fees for this service.) Please feel free to contact us at 415.398.2333. LGBT organizations are also welcome to contact the foundation about using and adapting this guide for their own planned giving programs.

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Contents

Why is Gift Planning So Important?	2
Planning Benefits You	2
Planning Benefits Your Community	3
How to Use This Guide	3
Where Do I Start?	4
What Do I Want My Charitable Gifts to Accomplish?	6
Different Gifts, Different Kinds of Impact	6
Different Gifts, Different Focus	7
Things to Think About	7
LGBT Community Endowment Fund	9
What Kind of Assets Can I Give?	10
Cash	10
Appreciated Securities	10
Real Estate	10
Retirement Accounts	11
Life Insurance	11
Closely Held Stock	11
Personal Property	11
What Tools Can I Use to Make a Planned Gift?	12
Bequests	12
Testamentary Donor-Advised Funds	14
Retirement Fund Gifts	15
Life Insurance Gifts	16
Charitable Remainder Trusts	17
Charitable Lead Trusts	20
Real Estate Gifts	21
What are My Next Steps?	23
Conclusion	24

Why is Gift Planning So Important?

Let's face it: many of us put off planning for the future. Maybe we do so because it seems very complicated. Or maybe we're afraid to think about death. Or maybe we think our "estate" is too small for planning to matter, or we don't expect to have an estate at all. But gift planning doesn't have to be complicated. And, far from being somber, it's really about defining of your own life and legacy—no matter how many or how few assets you have—and providing for the people and causes you care about

Not planning, of course, means letting someone else plan for you—and in estate planning, that means the government's plan. If you are like most lesbian, gay, bisexual, and transgender (LGBT) people, the government's plan is likely to be very different from what *you* would want, particularly while laws related to domestic partnership, marriage, and adoption remain in flux. The state will not necessarily recognize your partner, your family or friends, or causes you care about—unless you take action. In fact, without the right planning, only the state or your legal relatives—no matter how distant—would determine the disposition of your assets, or even make fundamental medical, legal, and financial decisions if you become incapacitated prior to your death.

Gift planning is an opportunity. It's an opportunity to provide assets for yourself and those you love. It's an opportunity to give back to your community. It's an opportunity to ensure that your legacy reflects your life's work, your values, and your commitments. For LGBT people, it can be an opportunity to help create a world free of the discrimination and isolation that so many of us have experienced. Best of all, your planning can address all of these goals—you don't have to choose just one.

Quite simply, with a plan in place, you write your own legacy.

Planning Benefits You

Planned gifts can offer you compelling benefits:

- Giving you the peace of mind of knowing that your wishes will be carried out for your loved ones and the causes you care about
- Providing income streams for yourself or your loved ones
- Deducting a portion of a gift to be made in the future as an immediate charitable contribution
- Avoiding or reducing capital gains taxes on the sale of assets that have risen in value
- Memorializing your commitment to the LGBT community through a named endowed fund
- Knowing that the assets you carefully assembled over your lifetime will be managed and distributed according to the highest standards

Many LGBT organizations also have ways that they recognize donors who have made planned gifts to them. Tell the charity about your plans and let them say thanks to you directly, if desired. And don't underestimate the impact of your letting your intentions be known—your example may well inspire others to make gift provisions in their own plans.



Planning Benefits Your Community

By almost any measure, LGBT people have made tremendous gains in the past few decades. Yet even our basic human rights remain far from secure. Our organizations lack a stable source of funding even to meet our community's most vital needs. In fact, because many LGBT organizations are young—as the LGBT movement is still young—they are also fragile. Meanwhile, those who oppose our freedom, our families, and our love have financial resources far greater than our own.¹

Together, we have the power to create a different world—forever.

Your planned gift—whether to a particular LGBT organization or to a shared resource like the LGBT Community Endowment Fund at Horizons Foundation—will help propel our movement and community organizations from fragility to strength, provide steady support through inevitable economic and political changes, and help ensure that our community can address needs and threats that we can't predict today. The simple fact is that, for most of us, we can give far more generously from our total asset base than our annual incomes, particularly given the high cost of living in the Bay Area. Whether that means \$500 or \$5 million, *there's no such thing as an insignificant planned gift.*

Many of us have truly been on the frontlines of history, whether we're lifelong activists or simply individuals living our lives as lesbians, gay men, bisexuals, and transgender people in our communities. Sometimes against great odds, we've created organizations, formed families, raised money, cared for those in need, celebrated, and mourned in a world that still doesn't regard us as equals. We've built a vibrant and diverse community—now we have the opportunity to secure its future.

How to Use This Guide

This *Guide to Gift Planning for the LGBT Community* is intended to help you learn how to make a major difference with your legacy and to use gift planning as a powerful tool for merging your passions with the needs of the community. It's important to remember that you can accomplish multiple goals with your estate, providing for your partner, your family, your children, your friends, *and* your community. Neither are you limited to supporting just one organization or interest area. The guide also highlights how planned gifts to LGBT causes are the key to securing our community's financial future.

In the pages that follow, you'll find information that will help you move forward in your gift planning:

- Taking stock of your goals and what you want your gifts to accomplish
- Learning about different types of assets and vehicles for giving
- Finding out more about how you can support your favorite LGBT causes
- Reviewing the next steps for completing your plans

This guide is offered as a resource to the LGBT community, but it is no substitute for professional legal and financial advice. We strongly recommend consulting with an attorney, accountant, and/or financial planner before completing any legal documents.

¹ As an example of the disparity in resources that the LGBT community faces, the annual budget of the largest anti-LGBT group in the U.S. is about the same as the combined budgets for the top *ten* largest LGBT organizations. Movement Advancement Project, *2009 Standard Annual Reporting: A Financial and Operating Overview of the LGBT Movement and its Leading Organizations*, 2009.



Where Do I Start?

Gift planning can seem overwhelming, particularly for LGBT people whose relationships may not fall neatly into the categories defined by current laws.

The table below will help you get started—it shows different types of planned gifts and when they might be right for you.² By matching them with your goals and needs, you can start figuring out how to create the legacy you want.

Planning now, giving later

Bequests, Wills, Living Trusts, Life Insurance, Retirement Accounts

If you want to support the LGBT community but need the assets during your lifetime, a bequest made through a will or trust, or a gift of life insurance or a retirement account, may be the best vehicle. All of these are quite simple to do, either by adding language to your will/trust or by naming an LGBT nonprofit you care about as the beneficiary of your life insurance policy or retirement plan after your death.

BENEFITS:

- This method of giving is simple and accessible to almost anyone, whatever your financial circumstances.
- Your future gift to a nonprofit doesn't impact the resources available to you now.
- You may be able to make a larger gift than you could make during your lifetime.
- Your gift may lower the tax burden on your estate.

Giving the asset now, receiving the income for life

Charitable Remainder Trust (CRT)

You may want to continue receiving income from an asset, especially during retirement, and provide for a substantial future gift to support the community. With a CRT, you can also minimize capital gains and income taxes. To set up a CRT, you can transfer securities, real estate, cash, or other assets to a trust that will ultimately benefit a nonprofit, but you retain the right to receive income for life or for a set number of years.

BENEFITS:

- A CRT gives you a source of steady income.
- You can receive immediate income-tax benefits and eliminate or lower estate and gift taxes.
- You can make a charitable gift while maintaining, or enhancing, your current standard of living.

² This table was adapted from a planned giving booklet published by Pride Foundation.

Supporting the community now, heirs getting the principal later

Charitable Lead Trust

If you are in a high gift- and estate-tax bracket, you may wish to consider a charitable lead trust. This allows you to set up a trust for a set number of years, after which the assets pass to your partner or other heirs. Meanwhile, the beneficiary LGBT organization receives the income annually for the term of the trust, putting it to work for the LGBT community.

BENEFITS:

- Your gift goes right to work, during your lifetime.
- The trust minimizes or eliminates gift and estate taxes.
- Any growth in principal during the trust term passes to your heirs without gift or estate tax.

Giving property while retaining the right to use it

Retained Life Estate

You might consider giving a home, vacation home, or other residence to an LGBT nonprofit whose work you support, while retaining the right to use the property during your life. This provides you with an immediate tax deduction, and the nonprofit assumes ownership rights after your lifetime. This vehicle is particularly useful if you have more than one home or your home is your major asset.

BENEFITS:

- You get an immediate tax deduction.
- You can make a sizeable gift without liquidating your property.
- You can use the property during your lifetime.
- You relieve your heirs of the difficulties associated with selling property.

Using property as part gift, part sale

“Bargain Sale” Real Estate

You can sell your home, vacation home, or other residence to your favorite nonprofit at below-market rate and receive a charitable deduction for the difference between the sale price and the higher fair market value.

BENEFITS:

- You can make a significant gift while retaining the majority of your equity.
- You receive an immediate tax deduction.
- You avoid capital gains tax on the portion of the transaction that is considered a gift.
- You relieve yourself or your heirs of the difficulties associated with selling property.

Making a gift today

Cash, Securities, Real Estate

If you have adequate resources to take care of yourself and the people you love, you might decide to make an outright gift of cash, appreciated securities, real estate, or tangible personal property. The LGBT nonprofit can use an outright gift immediately, and you qualify for immediate tax deductions.

BENEFITS:

- Your gift goes to work right away, meeting the community’s current needs.
- You get to see your gift make a difference.
- You get an immediate tax deduction.
- You avoid capital gains tax on appreciated assets, including stock and real estate.

What Do I Want My Charitable Gifts to Accomplish?

When you make a gift plan, you have the opportunity to consider carefully what you want to accomplish with the legacy you leave. For many people, this means taking care of your loved ones while also supporting specific organizations, interests you're passionate about, and/or your wider community. With your goals in mind, you can choose the best way to meet them.

This section provides a framework for understanding different giving options to support the LGBT community.

Different Gifts, Different Kinds of Impact

As you begin your planning, it's important to consider what kind of impact you want your gift to make for the nonprofit(s) you support. There are three general types of gifts, each of which is best for a certain type of impact:

Outright Gift

Larger, one-time impact made immediately

Spend-down Gift

Less annual impact, but spread over multiple years

Endowed Gift

Smaller annual impact, support provided in perpetuity

- An *outright gift* gives assets directly to the beneficiary all at once. For example, an outright gift to your favorite LGBT nonprofit lets it put the resources to work right away on pressing needs, whether funding much-needed services for their clients or taking advantage of a time-sensitive opportunity.
- An *endowed gift* is held in perpetuity, with payouts (typically around 5%) coming from the interest and earnings generated by the endowed funds. An endowed gift provides stable, dependable resources for the long-term health of an organization, cause, or community you care about. Many donors prefer endowed gifts not only because they give vital long-term support, but also because an endowed gift often offers a powerful way to mark a personal legacy.
- A *spend-down gift* lies between these two, combining the dependability of an endowed gift (though only for a fixed number of years) with the more concentrated impact of an outright gift (though at a more moderate level). An example of such a gift would be a bequest to a nonprofit that is spread over five years, with one fifth of the total gift going to the organization each year.

For more details on different types of planned gifts, see *What Tools Can I Use to Make a Planned Gift?* (page 12), talk to your professional advisors, or call Horizons Foundation.



Different Gifts, Different Focus

You may also want to consider gifts to the organizations, areas of interest, and communities that are important to you. You can build a plan that supports any or all of these.



Specific Organization(s)

Area(s) of Passion and Interest

Whole LGBT Movement and Community

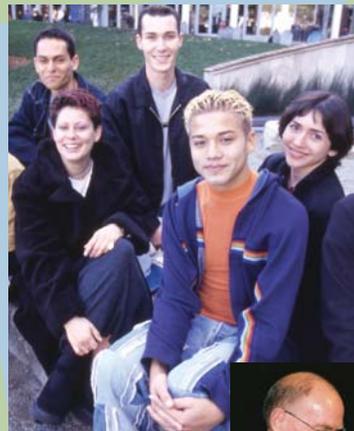
- You can name one or more *specific organizations* as beneficiaries of your planned gifts. This approach makes sense when you know exactly which organization(s) you wish to benefit.
- You can support more *general areas of passion and interest* (such as the arts, environment, HIV/AIDS, and so on). This is most often and easily done through a planned gift to a community foundation, and is particularly useful for donors who may not know which organization(s) to support or who understand that the organizational landscape is likely to change over time.
- You can make a gift that benefits the *whole LGBT movement and community* through the power of collective giving by not placing restrictions on how the funds generated by your planned gifts are used. As with creating a legacy to support a particular area of interest, a gift to support the whole community is most easily done through a community foundation.

Things to Think About

As you think about the gifts you want to leave, here are some factors to consider:

- What is the total value of the assets you're giving? Every gift is valuable, so to make the most of it, you'll want to choose the most effective giving vehicle(s) for your giving level. (For example, if you're making a fixed gift of \$1,000, a bequest may be the best option, whereas if you want to create an endowed fund with a restricted purpose, it will be most effective with gifts of \$100,000 or more.)
- How do you feel about the challenges facing your favorite organization(s) and/or the LGBT community? Different situations may benefit more from immediate funds or from long-term support (or somewhere in between).
- If you are thinking about making an impact over a longer period, we recommend moving your focus towards gifts for the entire community, with few or no restrictions. Because none of us can predict what the most urgent issues may be 25 or 50 years from now, such gifts offer the most flexibility for addressing community needs.
- You aren't locked into just one type of gift. You can select different organizations, issues, gift sizes, and so on, according to the legacy you want to leave.





LGBT Community Endowment Fund



Many people care deeply about their community, but may not know where their gift will do the most good. This is especially true if you are thinking about where your gift will be needed most in 10, 25, or 50 years. None of us really knows what will be most important decades into the future.

That's why Horizons Foundation established the LGBT Community Endowment Fund, which is a single, permanent fund dedicated in perpetuity to the freedom and well-being of our community. The Endowment Fund will be there—forever—to help ensure that the LGBT community can address needs and threats that we can't predict today, and to provide steady support through inevitable economic and political changes.

The LGBT Community Endowment Fund is designed to help donors create personally meaningful legacies and to strengthen and support our community. Through the Endowment Fund, you can make an unrestricted endowment gift, create a special fund that carries your name, or make a gift to support a particular organization or issue (whether within or outside the LGBT community). Depending on your circumstances, you may be able to do all of these.

The LGBT Community Endowment Fund also exists to serve LGBT organizations, which can establish endowments that benefit the nonprofit and are professionally managed by Horizons.

Horizons Foundation's federal tax ID number is 94-2686530.

NOTE: Gifts entrusted to Horizons do not need to be focused exclusively on the LGBT community.



If I'd died in 1979 and left my estate to an organization that couldn't respond to HIV/AIDS, I would have missed an opportunity to fund the most pressing need of a changing community. Because we can't know what's coming, we need a place—an institution like Horizons Foundation—that can use its resources in ways we can't foretell, to respond to both the challenges and the victories.

– David Gleba



The lesbian, gay, bisexual, and transgender community has been an important part of my life, and I want to make sure that our movement is strong for years to come. I want my legacy to be about more than simple dollars. We can show that we believe in the LGBT community and in our collective power to stand up, stand together, and take care of the generations to follow. That's why Horizons Foundation is part of my legacy.

– Lia Shigemura

What Kind of Assets Can I Give?

Many different types of assets can help support the LGBT community. Although the focus of this guide is on planned giving, most assets—including all the ones briefly described here—can be used for current gifts as well. (The next section includes information about the tools for giving them.)

Cash

Cash—from savings and checking accounts, money market funds, and certificates of deposit (CDs)—is the most flexible asset of all, and can be a simple but important element of your gift planning.



Appreciated Securities

When you make a planned gift of securities (stocks, mutual funds, bonds, etc.) that have increased in value and been owned at least one year, your heirs and charitable beneficiaries receive a double benefit—the gift avoids tax on the appreciation *and* the value of the assets can be deducted from the estate for tax purposes. That means the actual cost of giving may be quite low. If you itemize your income tax deductions, you can deduct up to 30% of your adjusted gross income on gifts of appreciated property; as with cash gifts, you can carry any unused deduction forward for up to five more years.

NOTE: If you wish to donate assets that have decreased in value, you should generally sell them first, take the loss if applicable, and then donate the cash proceeds to your favorite LGBT organization.

Real Estate

Gifts of real estate—whether a personal residence, vacation home, commercial or rental property, or farm—can provide valuable resources to your community and make management/maintenance issues dramatically easier for you and your heirs. For many of us, real estate represents our largest asset—and the asset with the greatest philanthropic potential. Like appreciated securities, real estate gifts offer twice the tax benefit of a cash gift: an immediate charitable tax deduction and the opportunity to avoid capital gains tax.



NOTE: Because of the special nature of real estate, nonprofits carefully evaluate each property to ensure that it meets specific guidelines before accepting the gift. Please contact the LGBT organization first if you're considering giving real estate.

Retirement Accounts

When you make an LGBT organization the designated beneficiary of your retirement fund, you avoid both income taxes and estate taxes (if applicable) that can be levied on this asset. Those taxes can total up to 70% of the account's value. By using a retirement account for a planned gift, the entire amount of the account goes to support the LGBT community.

Life Insurance

If you have life insurance that you no longer need for another purpose, you can use it to make a future gift at a limited immediate cost by redesignating the beneficiary as an LGBT organization. Some life insurance gifts entitle you to an immediate tax deduction.

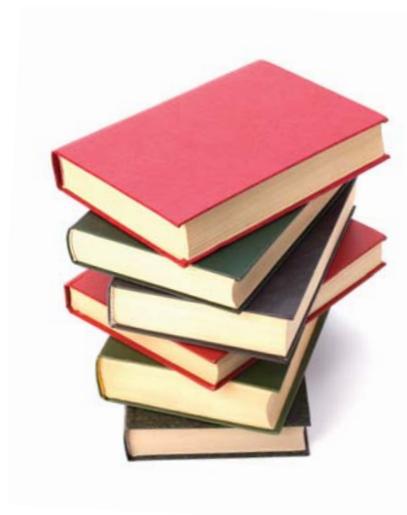


Closely Held Stock

You can also make gifts of closely held stock, which is privately owned and not publicly traded. Please note that if you are considering a gift of closely held stock, it's important that you make the gift *before* you enter into any written agreement with either the corporation or a potential purchaser.

Personal Property

Gifts of personal property—such as books, art, furniture, jewelry, musical instruments, coins, and stamps—may also be donated to an LGBT nonprofit whose mission you support. Special rules apply for these donations, so it's important to talk with the organization's staff beforehand (whether contributing the gifts now or through your estate).



What Tools Can I Use to Make a Planned Gift?

This section gives more details about various ways you can make planned gifts:

- Bequests
- Testamentary donor-advised funds
- Retirement fund gifts
- Life insurance gifts
- Charitable remainder trusts
- Charitable lead trusts
- Real estate gifts

As always, be sure to consult an attorney in preparing legal documents. Horizons Foundation staff is also available to answer questions that you or your advisor may have and to assist with planning ideas.

Bequests

A bequest is simply a provision in your will or living trust that gives the beneficiary organization a percentage of your estate, specific dollar amounts, or particular assets. As described on page six, a bequest can be an outright gift, “spend-down” gift, or endowed gift. A bequest to a nonprofit is not subject to estate taxes, and you can deduct up to 100% of your charitable planned gifts (unlike income taxes, where there are deduction limits).

For this type of gift, it’s essential that you have a will or living trust, which lets *you* decide exactly how your property will be distributed, rather than defaulting to the government’s plan. You can even make a contingent bequest, which makes your gift dependent on the occurrence of a specific event (for example, if an intended beneficiary predeceases you).

WHAT ARE THE BENEFITS?

- A will or living trust lets you remember important causes and institutions as part of your legacy, in addition to providing for your partner, friends, and others that the law leaves out.
- A carefully drafted will or living trust may significantly reduce the administrative costs and tax liability associated with distributing your property after your death.
- A living trust can save time in distributing your assets to your heirs.
- A living trust also lets you state how you want your financial and other affairs handled, should you become incapacitated.
- By making an endowed gift, you can leave a legacy to the LGBT community that will continued to help people for generations after you are gone.³
- You can modify a will or living trust over the years to reflect your changing interests and circumstances.

³ If you want to create a restricted gift for a specific purpose (for example, a scholarship), Horizons Foundation recommends a minimum endowment of \$100,000 to ensure its long-term effectiveness.



EXAMPLE: CARRYING ON THE CARING

As a healthcare worker, Betty has dedicated her life to helping others, and she wants to continue caring for her community after she dies. In her will, she sets aside 50% of her estate for her two nephews, 10% to a women's health clinic, 10% to an HIV/AIDS organization, 10% to her college alma mater, and 20% to Horizons' LGBT Community Endowment Fund, earmarked for health-related issues. The earnings from the endowed gift will fund health-related grants year after year.

SAMPLE LANGUAGE FOR BEQUESTS

Below are examples of language you can use for different types of bequests. Horizons Foundation and/or your professional advisors can also help you incorporate language that provides for specific interest areas.

Percentage of your estate	<p>"I give ___% of my estate to [Organization], located in [City, State], for its general charitable uses and purposes."</p> <p><i>(Using a percentage allows your charitable plans to remain proportionate to the value of your assets if they change.)</i></p>
Fixed amount of money	<p>"I give \$____ to [Organization], located in [City, State], for its general charitable uses and purposes."</p>
Real estate or other property	<p>"I give [description of the property, including exact location] to [Organization], located in [City, State], for its general charitable uses and purposes."</p>
Residual bequest	<p>"I give the residue of my estate to [Organization], located in [City, State], for its general charitable uses and purposes."</p> <p><i>(The residue is the amount remaining in an estate after other specified gifts have been made.)</i></p>

You can also include contingent bequests, where gifts are made only under certain conditions (for example, if an heir predeceases you).

Testamentary Donor-Advised Funds

A donor-advised fund (DAF) is a simple vehicle created by a charitable gift that allows donors to receive immediate tax benefits and recommend grants to qualified nonprofits from the DAF. For estate-planning purposes, you can create a testamentary DAF at Horizons Foundation, either during your life or in your estate plans. As the donor, you can recommend how you would like these funds used by filling out a short recommendation form with the foundation. That form is kept on file until assets are distributed from the estate; your recommendations then guide what grants are made from the DAF.

WHAT ARE THE BENEFITS?

- A testamentary DAF makes it easy to make gifts to several organizations or issue areas.
- You can change the beneficiaries of your testamentary DAF simply by completing a new form.
- You can have multiple types of assets go to your testamentary DAF.

EXAMPLE: TAKING CARE OF BOTH FAMILY AND COMMUNITY

Sam and Alfred are leaving their estate to their children, but they wanted to be sure to designate something for the LGBT community as well. They realized they could use one of their IRAs to establish a testamentary donor-advised fund at Horizons Foundation. They direct the foundation to use most of the money for nonprofits working with LGBT families, entrusting the selection of specific organizations to Horizons' expertise in the LGBT community. The couple also directs a specific gift to the theater group where they met. All of the grants are made once Sam and Alfred's estate has settled.



Retirement Fund Gifts

Wherever you fall on the wealth spectrum, you may want to consider naming an LGBT nonprofit as a beneficiary of your retirement plan.⁴ It's easy to do and can make the most of the money you've saved.

Because both estate *and* income taxes are levied on retirement plan assets, your heirs might be left with just a fraction of the original amount of a tax-deferred retirement plan. Even if your estate won't be liable for estate taxes, your heirs will still pay income tax at your highest tax rate. You can leave other assets to loved ones at a lower tax cost and use the retirement plan to benefit the community.

When you name an LGBT organization you care about as a beneficiary of your IRA, 401(k), 403(b), or other qualified retirement plan, the money passes as whole dollars to the nonprofit. As with other planned gifts, you have the option to divide the funds from your retirement account among personal and/or charitable beneficiaries.

WHAT ARE THE BENEFITS?

- You'll ensure an efficient distribution of assets in your estate.
- Your heirs may avoid the double taxation of tax-deferred retirement assets from both income and estate taxes, which can range as high as 70%.
- Upon your death, your remaining plan assets are passed to the LGBT nonprofit tax-free.
- You leverage your ability to make gifts—your heirs get other gifts without tax liability and your favorite nonprofits are provided for in a way that benefits your overall estate.
- If you make an endowed gift, you'll leave a permanent legacy for the LGBT community.

EXAMPLE: ENDOWING JUSTICE

Roland is a lawyer who has volunteered for years with a civil rights organization that supports LGBT equality, from taking part in countless letter-writing campaigns to serving three terms on the board of directors. He designated the nonprofit as the beneficiary of his retirement fund, with the monies to be used to establish and endow a new LGBT Justice Fund at the organization. In addition to furthering the work that Roland has been so passionate about, the retirement fund gift will also reduce the taxes on assets he is leaving to his partner. The deferred income tax is never taken out by the government because the beneficiary is a charitable organization.

OPTIONS FOR RETIREMENT FUND GIFTS

- *Beneficiary* – Name an LGBT nonprofit as the beneficiary of your qualified retirement plan.
- *Partial beneficiary* – Name an LGBT nonprofit as the beneficiary of a portion of your remaining plan assets, along with other beneficiaries.
- *Contingent beneficiary* – Name an LGBT nonprofit as a contingent beneficiary of your retirement plan, meaning the organization will receive your retirement assets only if your primary beneficiary is deceased or if s/he decides then to let the nonprofit receive the asset.

⁴ If you are married and/or in a registered domestic partnership in California, the benefits from your retirement plan are considered community property and cannot be given away without the consent of your spouse/partner. Please check with an estate planning attorney to ensure that any such gifts to nonprofits are handled properly.

Life Insurance Gifts

Sometimes, life insurance is no longer needed for its original purpose—your heirs are grown, your partner is financially secure, or the policy is not needed to pay estate taxes. When you designate an LGBT nonprofit as the beneficiary of the policy, you can make an important future gift to the LGBT community while reducing income or estate taxes.⁵

WHAT ARE THE BENEFITS?

- You may reduce your income or estate tax liability.
- You'll leave a legacy to the LGBT community.

EXAMPLE: INSURING THE LGBT COMMUNITY'S FUTURE

Now that Aisha and Jordan are in their 60s, with their children fully grown, the couple realized that they no longer needed some of the insurance policies they'd taken out while the children were their dependents. They decided to donate a fully paid-up policy to support bisexual programs at their local LGBT community center. Because the policy was already paid in full, they became entitled to a charitable tax deduction for the premiums they had paid over the life of the policy or the present cost of a comparable policy, whichever is less. When Aisha and Jordan told their neighbor Chuck about their plans, he was inspired to purchase a small policy to support the gay men's chorus he sang with. Because he named the nonprofit as the owner and irrevocable beneficiary, he could claim the annual premiums as a tax deduction.

OPTIONS FOR LIFE INSURANCE GIFTS

- *Fully paid policies* – Donate the policy to your favorite LGBT nonprofit by irrevocably naming the organization as both the beneficiary and owner of the policy.
- *Partly paid policies* – Donate the policy to an LGBT nonprofit. If you continue to pay the premiums, they're tax-deductible as well.
- *New policies* – Purchase a new policy and name an LGBT nonprofit as both the beneficiary and owner of the policy; all of the premium payments you give the nonprofit would be tax-deductible.
- *Contingent beneficiary* – Name an LGBT nonprofit as a contingent beneficiary of your policy, meaning the organization will receive the insurance payout only if your primary beneficiary is deceased or if s/he decides then to let the nonprofit receive the payout.

⁵ If you are married and/or in a registered domestic partnership in California, an insurance policy through your workplace is considered community property and cannot be given away without the consent of your spouse/partner. Please check with an estate planning attorney to ensure that any such gifts to nonprofits are handled properly.

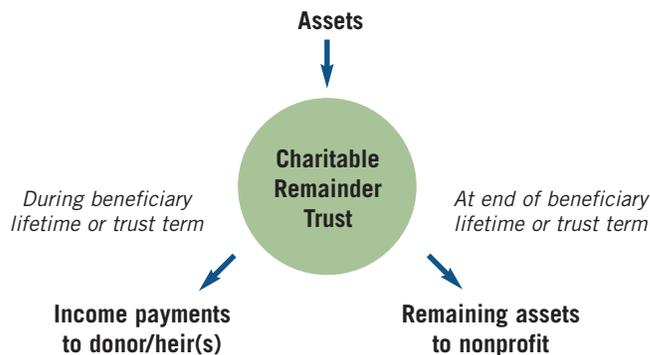


Charitable Remainder Trusts

You can make a significant gift to an LGBT organization whose work you find meaningful while preserving—or even enhancing—your financial security through a special tax-advantaged life income trust, known as a charitable remainder trust (CRT). These widely used trusts are best for highly appreciated assets such as securities or real estate, and provide a great opportunity to create income streams from assets that aren't generating as much revenue as desired. What's more, at the end of the trust, you will have made a substantial gift to the community.

There are two kinds of CRTs: variable income and fixed income. Either of these can distribute income to you and/or your partner (or other beneficiaries) for life or for a set number of years. You can also create a CRT through your will or living trust. The gift functions in the same way as one created during your lifetime: your estate will receive a tax deduction for the value at the time of the gift, and your beneficiary(ies) will receive income for a specific number of years or for life. In each case, the trust remainder assets then go to the LGBT nonprofit.

One of the most important benefits of all life income trusts is that they can be customized to meet your specific financial, tax, and estate planning needs. Please note, though, that once made, gifts to CRTs are irrevocable. Also, because each trust is individually tailored, CRTs almost always require a minimum contribution of \$250,000 (depending on your choice of trustee).



WHAT ARE THE BENEFITS?

- CRTs create (and possibly increase) income for you and become an important future gift for the LGBT community.
- You receive an immediate income-tax deduction for your charitable gift.
- You avoid any capital gains tax on the assets used to fund the trust and diversify your assets.
- Payments can begin immediately, or you can choose to defer them until later.
- CRTs may benefit multiple beneficiaries, providing support for yourself, your partner, your child(ren), or others who depend on you.
- You may reduce the taxes on your estate.
- The trust assets can receive professional management services.

OPTIONS FOR CHARITABLE REMAINDER TRUSTS

- *Variable income (charitable remainder unitrust)* – A variable income trust pays out a percentage of the trust's assets. This results in income payments that rise or fall based on the annual value of the trust's assets. At the end of the beneficiary lifetime or the trust term, the remaining trust principal goes to the LGBT nonprofit(s) you designate.
- *Fixed income (charitable remainder annuity trust)* – A fixed income trust generates an annual payment that is determined at the outset and never varies. At the end of the beneficiary lifetime or the trust term, the remaining trust principal goes to the LGBT nonprofit(s) you designate.
- *Deferred charitable remainder trust* – If you don't need additional income now but do want it in later years, consider a deferred charitable remainder trust. In this option, income accrues until a future date that you specify. You'll still receive the income-tax deduction now and tax-free growth during the income deferral period.

You can use cash, securities, or other property (such as real estate) to set up a CRT. Using appreciated securities (stocks, bonds, mutual funds) or real estate is particularly attractive because you can benefit from capital gains tax savings. Often, you can increase your income when you contribute low-yielding assets that are then reinvested for higher return.

At least 10% of the CRT's assets must go to the nonprofit.

EXAMPLE: TAKING STOCK OF LGBT PROGRESS Variable Income (Charitable Remainder Unitrust)

Every year, Elissa takes part in the Dyke March and marvels at how far she has come since moving here after college. She cares deeply about the LGBT community and has decided to transfer shares of stock which she originally purchased many years ago for \$100,000—and which are now worth \$400,000—into a 5% unitrust. She is 67 years old.

The outcome:

- She receives a \$191,788* income tax deduction.
- She avoids paying \$60,000* in capital gains taxes, and that money is also reinvested to provide income to her.
- In the first year, she receives \$20,000 in income from the trust. (Future income will rise or fall with the value of the trust's assets.)
- At the end of the trust, the beneficiary nonprofit receives a substantial gift (the exact amount will depend on the length of Elissa's life and the payout percentage).

* Assumes an AFR of 3.4%, and combined state and federal capital gains rates of 20%. In this example, the person is not married or in a registered domestic partnership.

EXAMPLE: BENEFITING MUTUALLY Fixed Income (Charitable Remainder Annuity Trust)

Marc is retired and would like to diversify his assets and receive predictable income. He is 72 years old. He's also very interested in supporting programs for LGBT people of color because he has always been proud of his Guatemalan heritage. He transfers \$375,000 in low-yielding mutual funds, which have a cost basis of \$40,000, into a 6% annuity trust. The trust will make income payments of \$22,500 to Marc—based on the *initial* trust value—for the rest of his life.

The outcome:

- Marc's annual income from these assets increases from almost nothing to \$22,500.
- He receives an income tax deduction of \$151,520.*
- He avoids paying \$67,000* capital gains taxes.
- The beneficiary nonprofit receives a substantial gift at the end of the trust (the exact amount will depend on the length of Marc's life and the payout percentage).

* Assumes an AFR of 3.4%, and combined state and federal capital gains rates of 20%. In this example, the person is not married or in a registered domestic partnership.

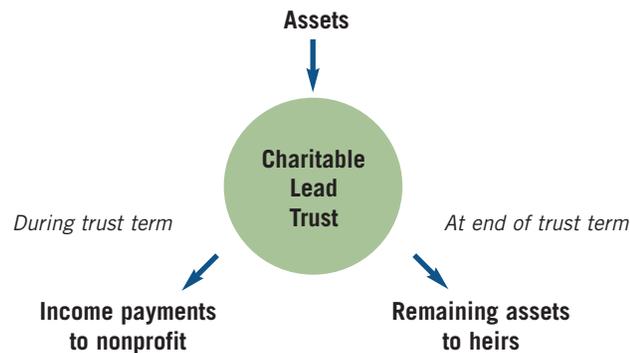


Charitable Lead Trusts

A charitable lead trust (CLT) can be an unusually powerful way to support the LGBT community that also benefits your heir(s). A CLT is often described as the reverse of a remainder trust (see above) and is best for low-basis assets. In a CLT, the donated assets are converted to income-producing assets—typically ones that have potential for appreciation. The assets are placed in a trust, which reinvests when appropriate, but there are no capital gains taxes. The LGBT nonprofit you select benefits by receiving an income stream for a fixed number of years. You also receive an income-tax deduction when you put the assets into the trust.

After the fixed period ends, the trust principal with any appreciation is returned to your chosen heirs. In addition to providing important income for the community organization, a charitable lead trust both reduces the gift or estate tax you pay and passes the remaining trust principal to your heirs.

Please note that CLTs almost always require a contribution of at least \$250,000 (depending on your choice of trustee).



WHAT ARE THE BENEFITS?

- CLTs benefit both the nonprofit and your heirs, and can be funded during your lifetime or through your will.
- You'll receive an immediate income-tax deduction and reduce the gift or estate tax that may be owed.
- The trust assets can receive professional management services.

EXAMPLE: HOLDING A TEENAGER'S TRUST

Simon and Ben would like to leave a sizeable gift to Casey, a teenager they have mentored for several years at a program for transgender youth. Instead of making the gift through their estates, they decide to put \$300,000 into a charitable lead trust. The trust will make annual payments to the nonprofit where they met Casey at 6% of the amount used to fund the trust, or \$18,000. This amount is fixed for the term of the trust, which Simon and Ben set at 20 years. Because of the charitable component, they can avoid any gift taxes, and this asset would not be subject to estate taxes.

At the end of 20 years, the youth organization will have received \$360,000 for their work with transgender teens, and Casey will receive \$300,000, or whatever amount remains in the trust (the exact amount depends on investment performance and the payout rate). Even if the trust assets grew over time, Casey would not owe any additional gift or estate tax when receiving the funds.

Real Estate Gifts

Gifts of real estate—particularly in the Bay Area—can provide significant resources to the LGBT community, while offering you benefits such as reducing your income tax liability, avoiding capital gains taxes on the property’s appreciation, and relieving you or your executor of the burden of selling the property. For many of us, our home is our most valuable asset and can be the means of making very substantial gifts to the community.

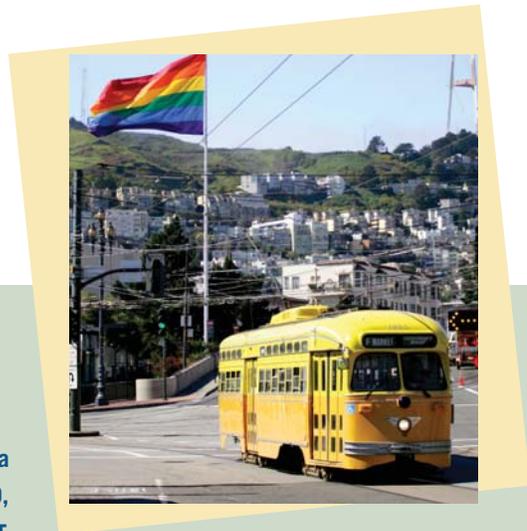
You can give real estate outright, whether during your lifetime or through a will or living trust. An outright gift of real estate can be particularly useful when you have a property you no longer use or no longer want to bother with (for example, a rental property).

You can also give the property as a life estate gift, which means you retain the right to live in your home for life (during which time you’re responsible for property taxes, insurance, and maintenance) and pass it to an LGBT nonprofit after your death. The advantage of this approach is that you can claim an immediate tax deduction for the value of the future gift, based on the property’s full fair market value and your age or the age of other life tenant(s).

Another way to benefit your favorite LGBT nonprofit is through a “bargain sale” gift, which is part gift and part sale. You sell the property to your favorite nonprofit at a below-market rate and receive a charitable deduction for the difference between the sale price and the higher fair market value. In this way, you can keep part of any gains for your own support and still make a large gift to the LGBT community.

WHAT ARE THE BENEFITS?

- You receive an immediate income-tax deduction.
- You avoid capital gains tax on the property’s appreciation.
- The property avoids probate and is free of estate taxes (if applicable).
- You (or your executor) avoid the burden of selling the property.



EXAMPLE: FINDING A HOME FOR A GIFT

Now that Gina has retired, she wants to travel without worrying about a small rental property she owns. The building, purchased for \$150,000, is now valued at \$700,000. By giving the property to her favorite LGBT nonprofit, she’ll receive a charitable income-tax deduction and avoid capital gains tax on the building’s appreciation. She can take an income-tax deduction of up to 30% of her adjusted gross income and carry over the remainder for up to five years. Depending on Gina’s income, she may wind up owing no income tax for the next five years.

OPTIONS FOR REAL ESTATE GIFTS

Real estate gifts can be made through a number of planned-giving tools, including:

- *Bequest* – You can leave a gift of real estate to an LGBT nonprofit through your will or living trust.
- *Outright gift* – You can deed the property directly to your favorite LGBT organization.
- *Retained life estate gift* – You retain the right to live in your home for life and pass it to your favorite LGBT nonprofit after your death. You can also designate other life tenants (such as your partner).
- *Partial interest gift* – You may deed an “undivided fractional interest” of your property to an LGBT nonprofit. When the property is sold, the proceeds will be allocated proportionally to the nonprofit and any other owners. Such an allocation can affect the potential capital gains tax at sale.
- *Charitable remainder trust* – You can transfer the property or a fractional interest in the property to a remainder trust. The property will then be sold and the proceeds reinvested to generate income.
- *Charitable lead trust* – Income-producing real property may be placed in a lead trust. The income goes to the LGBT nonprofit(s) you designate for a fixed number of years, and afterwards, full ownership is transferred to your heirs at reduced transfer taxes and costs.
- *Bargain sale gift* – You sell the property to the nonprofit at a below-market price and receive a charitable deduction for the difference between the sale price and the fair market value.



What are My Next Steps?

As you create your estate plans, there are many resources that can help you, including professional advisors (such as an attorney or financial planner), your friends, and community leaders you trust and respect. Horizons Foundation can also serve as an important resource—and while we are dedicated to the strengthening the LGBT community both now and for generations to come, we are equally committed to helping donors match their individual passions and dreams with gift plans that satisfy their goals.

Make a Plan



1. Make an inventory of your assets. This should include a description of your retirement plan (including the value and the distribution options), the ownership of any life insurance policies, and descriptions of real estate and other property.
2. Decide which people and nonprofits you would like to benefit from your estate. Think about what you would like your gifts to accomplish, whether you want to make outright or endowed gifts, and how comfortable you feel in predicting what our community will need in the future. You may find it helpful to write a brief statement of personal and charitable goals.
3. Find an attorney who regularly drafts wills, trusts, and other estate plans for LGBT people. If you don't have an attorney, ask friends for references. You can also refer to the listings in Horizons Foundation's *Directory of Professional Advisors for the LGBT Community*. Most attorneys offer free consultations and can give you an estimate for drafting your estate plan.
4. If you already have a will or living trust, consult an attorney to add a codicil/amendment that provides for your favorite LGBT nonprofit(s). A codicil or amendment is a simple, inexpensive way to make changes or additions to your will or living trust.

Talk with Your Advisor

1. Review your personal and charitable objectives with your attorney (or other professional advisor if you have one). You can also talk with Horizons Foundation staff, who work with donors to help them create meaningful legacies. Work together to define what you want your legacy gift(s) to accomplish at your favorite LGBT nonprofit(s).
2. For real estate gifts, provide a preliminary description of the property. Because of the special nature of real estate, nonprofits carefully evaluate each property to ensure that it meets specific guidelines before accepting the gift.
3. Talk about different planned gift options that might be most appropriate for you, including whether you wish to make the gift during your life or through your estate.
4. In consultation with your advisor, select the alternatives that best suit your goals and assets.
5. When appropriate, select a trustee to handle trust administration and investments. Your advisor or Horizons Foundation can assist you in finding the trustees that you feel are most appropriate.

Gather Information

1. Contact the nonprofits you wish to include and ask them to provide you with sample bequest language, legal names, and tax ID numbers. If you wish to receive acknowledgment for your planned gifts, tell the organizations about your commitment to them—your example may well inspire others.
2. For retirement plans, request and complete a change of beneficiary form provided by your plan administrator and designate your favorite LGBT nonprofit as a beneficiary.
3. For life insurance, contact your insurance agent or company for instructions on changing the ownership and/or beneficiary on your policy.
4. Carefully review the materials and agreements that your attorney has drafted to fit your needs.

Follow Your Planning to Completion

1. Complete all the paperwork with your attorney needed for the planned gifts you've chosen. Store your copy in a safe place and review it periodically to keep it up-to-date with your circumstances.
2. *Optional:* If you want to share the details with the nonprofit(s) included in your plans, provide them with copies of your will, trust, policies, and/or beneficiary designations. This can be done on a confidential basis as well.
3. Where available and desired, receive recognition from the nonprofit(s) for your generous gift. Your gift helps encourage others to support the LGBT community in their estate plans.

Conclusion

Gift planning is a profound opportunity to make a statement about all that you hold most dear—your loved ones, your passions, your community. The thought and care you put into making plans today will give you the peace of mind of knowing that your legacy will indeed reflect your life, your beliefs, and your values.

When you support your favorite LGBT nonprofits and/or Horizons Foundation's LGBT Community Endowment Fund, you'll also be part of a wider movement to meet the needs, secure the rights, and celebrate the lives of LGBT people for years to come. Your commitment and leadership can serve as a powerful inspiration to others.

Our history clearly demonstrates LGBT people's collective strength in overcoming seemingly insurmountable obstacles. Together, our collective generosity will help ensure that the LGBT community keeps making progress for generations.

Thank you very much for considering the community in your plans.



Many thanks to Carol Pollock, Deb L. Kinney, Kris Hermanns, and Chris Kollaja for their invaluable contributions to this guide.

Horizons Foundation welcomes your feedback on this publication. We will produce updated editions in future years and will attempt to reflect the feedback we receive. Thank you.



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