Since 1963

GOODMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

2560 NAZARETH ROAD (25TH STREET)
EASTON, PENNSYLVANIA 18045-2793

TELEPHONE: 610-253-2745
FAX: 610-253-9773
E-MAIL: CPAS@GOODMANCPA.BIZ
WEBSITE: WWW.GOODMANCPA.BIZ

PAY NO INCOME TAX

WHEN SELLING YOUR INVESTMENTS AT A PROFIT!

Do you have land, buildings, stocks, or a business to sell, but do not want to pay income taxes on the capital gain? The Federal income tax rate could be 15% or more plus your state's income tax rate (3.07% for Pennsylvania and up to 8.97% for New Jersey). Then, would you like to have a Federal income tax deduction on part of the sales price? Would you like to avoid paying Federal estate tax (from 18% to 45%) and your state's inheritance tax (4% to 12% for Pennsylvania) on the sales proceeds? You can retain the income from some of the reinvested proceeds. Despite all of these tax breaks, your family can still benefit from the sales proceeds. So can your favorite charity! You can eat your cake and still have it! Read on for details.

Our nation's tax laws recognize the role of charitable organizations in meeting many of the needs and demands of our society. Because of the importance and expense of the challenge to meet these needs, the Federal government has provided us with incentives to make charitable gift contributions. Most donors are aware of making annual charitable gifts, which is a simple process to understand. The donor writes a check to a specific charity. In return, the donor receives a Federal income tax deduction for the same amount as the gift. It is very simple, very easy to understand, and a relatively easy decision to make for the donor. However, the making of appropriate, significant charitable contributions through a *planned giving arrangement* can be much more attractive. It is a complex and sophisticated process, which we can handle for you.

One of the more popular arrangements is the Charitable Remainder Unitrust, which is considered by many tax and financial planners to be one of the greatest retirement and estate planning tools available! Essentially, a Charitable Remainder Unitrust allows a donor to sell low income yielding appreciated assets (such as stocks, a business, and real estate) and reinvest the sale proceeds into income producing securities without paying any capital gain income tax on the sale. The donor now has cash flow from an asset, such as land, which before did not provide cash flow or used cash to pay real estate taxes. The land has been replaced by an income producing investment. This also a great way to sell a business, but the planning must be completed before the sale agreements are signed and the sale is consummated.

Actually, the donor gives the assets to the trust, which in turn sells them and is exempt from income taxes on the capital gain. The donor receives an immediate Federal income tax deduction

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on a portion of the fair market value of the gift. The donor will also retain an income stream for life or over a selected term of years. Any unused charitable deduction may be carried forward for five years. The income stream can be passed to a spouse. At death of the income beneficiary, the assets in the trust pass on to a pre-selected charity. After the gift is made to the trust, the name of the selected charity may be changed (revoked) during the donor's lifetime. The Federal income tax deduction is allowed because the gift to the trust is irrevocable and the beneficiary of the remaining trust principal must be a charity (any qualified charity). Thus, it is called a Charitable Remainder Unitrust.

It may appear that the only losers in this case would be the heirs who would have inherited the assets at full market value, also without paying income taxes on the capital gain. However, we have an easy solution to this problem. The donor simply invests a small portion of the annual income from the trust into an investment grade life insurance policy, which we can provide. At the donor's death, the insurance policy will pay the heirs a sum equal to the amount passing on to charity. It is a win, win, win situation. Uncle Sam wins because eligible charities are funded by donors, reducing the funding demands on the Federal government, thus saving taxes. The Internal Revenue Services encourages these plans!

The donor wins by "selling" an appreciated asset without paying the capital gain income tax, by receiving an income stream, by taking a Federal income tax deduction, and by getting instant recognition and appreciation from charity. Plus, the asset is removed from the donor's estate, thereby potentially lowering the donor's Federal estate tax and state inheritance tax liabilities. The heirs win because they receive their full inheritance via the life insurance, tax free if properly structured. The charity wins because it receives a large asset. You can support your favorite charity, enjoy the benefits of your gift while you are active and alive, and yet save taxes! One client was proud to see a hospital department named for her generosity, during her lifetime.

Creating and operating a Charitable Remainder Unitrust is not something you can do on your own. It is complicated but worthwhile. Are you interested in learning more about Charitable Remainder Unitrusts (CRUTs) and how they can help you and your favorite charities? We can also explain Charitable Remainder Annuity Trusts (CRATs), Charitable Gift Annuities (CGAs), and Charitable Lead Trusts (CLTs). Please contact me, **610-253-2745**. I am a Certified Public Accountant and a Licensed Insurance Agent, trained and experienced in wealth and estate planning. We have the system already designed and in use with many other donors and charities.

Bill

William N. Goodman, CPA
Certified Public Accountant
Licensed Insurance Agent