COMMUNITY FOUNDATION SONOMA COUNTY 120 Stony Point Road, Suite 220, Santa Rosa, CA 95401 sonomacf.org

Legacy Giving Options

1. BEQUEST

The simplest way to leave a planned gift to benefit our community is to make a bequest including specific language in your will or living trust naming Community Foundation Sonoma County as the recipient of a testamentary gift. This can be a specific dollar amount, a percentage of your estate, or what remains after other bequests (including those to family members) are made. Consider using your planned gift to fund one of the many endowment funds at the Community Foundation to support your favorite causes for years to come. If you choose, the bequest can flow into a donor-advised fund for your children to carry on your family's philanthropy.

Scenario:
"It's time to consider my charitable intentions for after my lifetime."

Solution:
Creating a charitable fund at Community Foundation Sonoma County is a way to leave a legacy and an alternative to paying high estate taxes.

We offer sample bequest language to include in your will or trust, along with guidance and a thorough review of your philanthropic intent. We invite you to discuss your charitable wishes with our staff.

2. CHARITABLE REMAINDER TRUST (CRT)

By creating a Charitable Remainder Trust, you receive an immediate tax deduction and lifetime income for you or your named beneficiary. You also reduce or avoid capital gains taxes associated with the gifted asset. After death or the end of a specified trust term (up to 20 years), the remainder of the trust transfers to fund(s) you have designated at the Community Foundation. Grants from the fund(s) will be made in accordance with your interests.

The Community Foundation can act as your CRT trustee, or you may choose another trustee.

These trusts are useful if you own appreciated assets that have increased in value but earn little income. Once the assets are placed in the trust, they can be sold and reinvested free of capital gains tax.

Scenario:
"I own and manage a rental unit that provides needed income, but it has become too much work for me."

Solution:
By setting up a CRT, transferring your rental property into it, and naming Community Foundation Sonoma County as a charitable beneficiary, you eliminate or reduce capital gains taxes, secure lifetime income, claim a sizable tax deduction, and support your favorite causes.

3. CHARITABLE LEAD TRUST (CLT)

When you create a Charitable Lead Trust, the CLT makes regular income tax-deductible gifts to the Community Foundation as the income beneficiary.

When the trust terminates, the principal is returned to you or distributed to your children or other designated beneficiaries. The trust's assets pass to the recipients at reduced tax cost, sometimes even tax-free. You can establish a CLT during your lifetime or through your will.

A CLT shelters investment earnings from taxes and offers gift, estate, and generation-skipping tax benefits (e.g., trust assets are removed from your estate for tax purposes). This is a good choice if you wish to reduce your estate tax or delay your heirs' receipt of an inheritance.

4. RETAINED LIFE ESTATES

Like many people in Sonoma County, your major asset may be your home. You may irrevocably transfer the ownership of a home, farm, or vacation home to the Community Foundation and retain the right to occupy it for your life. You and your family can continue to live in and enjoy your home (or vacation property) while giving its future ownership to the Foundation. You claim a charitable deduction in the year of the gift, with carryover privileges for up to five additional years.

The gift of the "remainder interest" is a charitable contribution in the year it is made, which may provide a substantial income tax charitable deduction. When the life tenancy ends, the Community Foundation becomes the property owner. Proceeds from the property's sale can go into a charitable fund (opened by you) at the Foundation or be distributed to nonprofit organizations which you specify.

Keeping your needs and objectives in mind, we work with you to craft an agreement regarding responsibility for the property during your life tenancy term. Each potential life estate gift is assessed individually.

5. LIFE INSURANCE

A paid-up existing life insurance policy may be donated by designating the Community Foundation as owner and beneficiary. You may also gift a life insurance policy to us that is not fully paid up and continue paying the annual premiums. These gifts provide you with a current charitable income tax deduction and may also reduce your estate tax since the policy's value is removed from your estate.

You can also name the Community Foundation as a partial and/or contingent beneficiary of any insurance policy's death benefit. If one or more of the primary beneficiaries predecease you, their share can go directly into a fund you open with us. This allows you to remove an unneeded asset from your estate without affecting your income.

6. RETIREMENT FUND PLANS

Naming the Community Foundation as a beneficiary of your retirement funds, such as an IRA, 401k or 403b, is an effective way to help your community while avoiding significant, often unanticipated tax penalties. Your retirement plan is tax-deferred only until death. The remainder of these assets is subject to multiple taxes when included in your estate, possibly resulting in a tax rate of 60 percent or more. Donating retirement accounts can reduce or eliminate these taxes completely and make a significant impact on your community.

Donating retirement plan assets to us from your estate is advantageous because these are heavily taxed if left to heirs. No estate tax is due on the retirement plan assets that are gifted to the Community Foundation. The only document required is a Change of Beneficiary form which is available from your plan's administrator.

> **Scenario:**
> "I have a large Individual Retirement Account (IRA) but my children will only receive about 30% of its value."
>
> **Solution:**
> Giving your IRA to an endowment fund at the Community Foundation can reduce estate tax, eliminate income tax on the IRA distribution and create a family legacy. Meanwhile, other assets can be gifted to your family members.

7. IRA CHARITABLE ROLLOVER

The Pension Protection Act of 2006 (H.R. 4) temporarily allowed people who reached age 70½ to exclude from their income up to $100,000 per year in retirement plan assets if contributed directly to a qualifying charity. On December 18, 2015, the President signed the PATH Act making this special provision permanent. By giving directly to the Community Foundation, the money is not subject to income tax, preserving the full amount for charitable purposes. Most contributions to charitable organizations are considered qualified charitable contributions. However, distributions to donor-advised funds and supporting organizations do not qualify.

8. REAL ESTATE

We accept gifts of a house or other personal residence, farm, commercial buildings and income-producing or non-income-producing land. A gift of real estate that you own for more than a year entitles you to the same federal tax deduction that applies to gifts of securities (for the property's fair market value) while allowing you to avoid paying capital gains tax. We accept most unencumbered real property gifts.

To learn more, please contact our Vice President for Philanthropic Planning, Kristin Nelson at knelson@sonomacf.org or 707-303-9625