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Connecting to the community

Making a **lifelong dream** come true.

Mark and Susan Smith are enjoying their retirement. *They have been astute investors throughout their lives, and want to plan their estate wisely. The Smiths' assets — mostly stocks, bonds, and mutual funds — have grown substantially, and they now feel comfortable making decisions to fulfill their charitable goals and financial interests. Giving a gift back to the community where they raised their family is a lifelong dream. In addition, the Smiths want to preserve a substantial portion of their wealth for their three children by limiting gift and estate taxes.*

The Smiths' estate advisor suggested establishing a charitable trust, and designating their community foundation as the vehicle for all of the Smiths' charitable giving — because it provides a simple, powerful way to fulfill their multiple charitable interests.

Mark and Susan Smith took $1 million in appreciated stocks and zero coupon bonds and established a Charitable Lead Trust. During their lifetime, the trust will pay an annual fixed annuity of $75,000 to their community foundation. After the Smiths die, the trust terminates and transfers its assets to the Smiths' children, tax free.

(CONTINUED ON REVERSE)

Community foundations provide a simple, powerful, and highly personal approach to giving.

We offer a variety of giving tools to help people achieve their charitable goals. You can give cash, appreciated stocks, real estate, or other assets, and can receive maximum charitable and tax benefits. For more information and ideas on ways to integrate your financial planning with charitable giving, ask your financial advisor or contact your local community foundation.

Michigan
community foundations℠

For **good.** For **ever.**™

Contact your local community foundation today.
To find the community foundation in your area, visit ***www.forgoodforever.org.***

Family and charitable benefits

Compare the benefits of a community foundation Charitable Lead Trust with what would happen if the Smiths chose a conventional investment and estate distribution plan.

Assumptions:
(1) Conventional investment and estate distribution plan assumes an ordinary income yield of 6% on $1 million for 15 years. Charitable Lead Trust assumes a non-grantor charitable lead trust that has capital appreciation of 3%, an ordinary income yield of 6%, and pays out 7.5% per year on $1 million for 15 years. (2) The estate tax calculation assumes the Smiths die at age 85 (the end of 15 years) and use any remaining Unified Gift and Estate Tax Credit to offset tax attributable to other estate assets. (3) To provide parity between the two scenarios, the Gift Tax Adjustment compensates the estate for the amount of gift tax that was avoided when the Charitable Lead Trust was created.

	Conventional Investment/ Distribution	Charitable Lead Trust
Market value of stocks and bonds	$1,000,000	$1,000,000
Taxable gift	NA	$300,000
Gross amount to heirs at the end of 15 years (1)	$2,396,558	$1,440,414
Less: Federal estate tax @ 50% (2)	($1,198,279)	($0)
Less: Gift tax adjustment @ 50% (3)	($0)	($150,000)
Net amount to heirs	**$1,198,279**	**$1,290,414**
Plus: Amount to charity	**$0**	**$1,125,000**
Total family and charitable benefit	**$1,198,279**	**$2,415,414**

(Example calculation — for illustration only)

A community foundation

provides personalized donor service to support each donor's unique charitable interests and financial circumstances.

Minimizing taxes. If the Smiths had made an outright gift to their children, the entire $1 million would have been considered a taxable transfer for gift tax purposes. However, because the Charitable Lead Trust pays a guaranteed amount of income to their community foundation, the Smiths are able to claim a charitable gift tax deduction in the year the trust is created. This provides substantial gift tax benefits. In addition, the Smiths are able to avoid capital gains and income taxes on appreciated assets since the transfer is made directly to a charitable trust.

Since the transfer of assets is complete when the trust is created, no portion of the trust is included in either of the Smith's estates.

Family and charitable benefits. The Charitable Lead Trust provides the opportunity to do more than the Smiths ever imagined. By avoiding gift, capital gains, income, and estate taxes, they are actually able to preserve more of their estate's value for their children while giving more than $1 million to their community (assuming the Smiths live another 15 years). Better yet, the Smiths are actively involved in the use of their gift during their lifetimes.

Enriching the community. The Smiths established the Mark and Susan Smith Charitable Fund with their community foundation. As a Donor Advised Fund, it enables them to suggest grant recipients who can benefit from this fund. In addition, the community foundation can recommend worthy local organizations for grants addressing the Smiths' special areas of interest.

There's so much more we'd like you to know. *Your community foundation provides personalized service and a variety of giving vehicles. We welcome the opportunity to work with you and your advisor to fulfill your unique charitable objectives. This story represents a composite illustration drawn from the actual stories of many of the thousands of people who give through their community foundations.*