

Living Legacy

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KENTUCKY
BAPTIST
FOUNDATION

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WSBC—DEVELOPING KINGDOM-MINDED STEWARDS

Walnut Street Baptist Church (WSBC) was formed in 1848 when First Baptist Church and Second Baptist Church joined together to minister in the heart of Louisville. Over its long history, WSBC has planted over 50 churches in the Louisville area, been a leader in developing community ministries and continues its passion for seeing Jesus' name taken to the nations.

About five years ago, WSBC made a decision to focus on cultivating a culture of generosity and giving among its members. Church leadership wanted to raise the overall level of giving, particularly legacy giving.

"Outlive Your Lifetime" became the theme as the church urged its members to continue their faithful service to the Lord and the ministry of WSBC beyond their earthly life by including a gift to, or for the benefit of, the church in their estate plans.



Walnut Street Baptist Church

WSBC offered its people the opportunity to answer the question, "Would you consider including the church in your estate plan?" That question was asked repeatedly—from the pulpit, at dinners and in other settings.

Church leaders determined a favorable response to that question would only be possible if church members were educated about estate stewardship—wills, trusts, incapacity planning, Living Wills, retirement planning and funeral planning. To accomplish that, Associate Pastor Stan Craig, with the assistance and support of

Kentucky Baptist Foundation (KBF) president Barry Allen and KBF trust counsel Laurie Valentine, put together a half-day event offering sessions on several of those topics.

The first "Fore Talk" conference was held on a cold and snowy Saturday morning in January. Over 100 WSBC members came to learn more about how they could provide for their family and invest in Kingdom work through their estate plan. Succeeding

conferences have been just as well-attended.

The response to these efforts has been phenomenal. Over 40 church members have determined they want to leave a legacy of faithfulness and practice their financial stewardship at a deeper level by including a gift to WSBC in their estate plan.

Rusty Ellison, senior pastor at the time, noted "The resources KBF offers allow any church to encourage, educate and enable its members to leave a lasting legacy for the cause of Christ through an estate plan gift to the church."

TAX INCENTIVES FOR GIVING ENHANCED

The American Taxpayer Relief Act of 2012 (ATRA) continues the benefits of charitable giving for those who itemize their deductions on their federal income tax returns.

This means that amounts given to charity will continue to be deductible from otherwise taxable income.

The exact amount of tax savings from charitable gifts will depend on your tax bracket and other factors.

When combined with state income tax savings where they apply, the after-tax cost of making cash gifts can be less than half of the amount given.

Gifts of cash may be used to eliminate federal income tax on up to half of your adjusted gross income (AGI). Other limitations on total itemized deductions may in some cases slightly reduce the value of charitable deductions for high-income taxpayers.

Replacing your gifts

If you give securities that have increased in value, you might then decide to repurchase the same or other securities at the current market price.

This results in a new, higher cost basis with less capital gain from a future sale.

If you have investments that are worth less than their cost, consider selling them and using the cash proceeds to make charitable gifts. This creates a loss that can be used to offset any capital gain income and up to \$3,000 in ordinary income, as well as a charitable deduction for the amount of the cash donated.

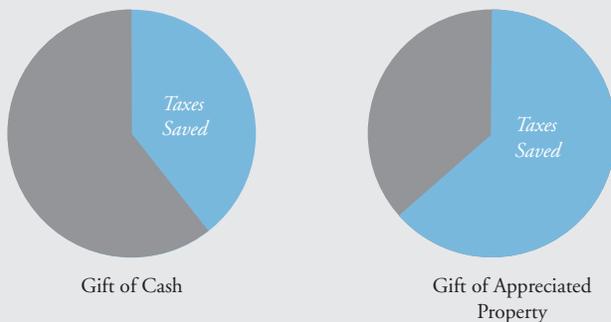
The combination of the taxable income offset from the capital loss and the deduction for the cash gift may in some cases total more than the current value of the investment.

EXTRA SAVINGS FOR NONCASH GIFTS

New, higher capital gains tax rates can mean even greater savings for those who enjoy making charitable gifts. Gifts of securities (stocks, bonds or mutual funds) and certain other property are generally deductible at their full value if they have been owned for longer than a year. These gifts also result in bypassing capital gains tax that would be due on a sale.

The cost of such gifts can be even less than a comparable gift of cash. As the new 3.8 percent Medicare contribution tax is also not due on amounts given to charity, those subject to this tax will save even more. Gifts of appreciated assets can be used to offset tax on up to 30 percent of AGI.

The chart below that depicts the maximum federal tax savings from giving the increased value in appreciated assets in 2013.



If you are 70½ or older, you may be pleased to learn of a special provision in the new tax law.

Congress has acted to restore the ability to make tax-free gifts in 2013 directly from a traditional or Roth IRA.

For gifts completed this year, you are allowed to direct that a gift of any amount up to \$100,000 per person be used to make charitable gifts on a completely tax-free basis. A married couple with separate IRAs can each avail themselves of this opportunity. Amounts given in this way will also count as part of any mandatory withdrawal required.

This provision can be especially attractive if amounts withdrawn would otherwise cause your Social Security and other income to be taxed at higher rates, if you have reached the limit for how much you can deduct, if your state does not allow deductions for charitable gifts, or in certain other circumstances.

Note that gifts made from an IRA in 2012 that would otherwise not have qualified for tax-free status are retroactively protected under the terms of ATRA.

Check with your plan administrator or other advisors for more information on how to make gifts in this way.

IRA GIFTS ARE BACK

TAX PLANNING POINTERS

- Unlimited amounts may be left to a spouse free of possible estate tax.
- Gifts for charitable purposes are totally exempt from federal estate and gift taxes.
- Retirement accounts may be taxed at higher rates than other assets.
- There has been no limit to the amount deductible from federal estate tax for charitable gifts.
- It is possible to leave assets to loved ones, make charitable gifts and eliminate gift and/or estate taxes.

ESTATE AND GIFT TAX CHANGES

As part of recently enacted legislation, Congress has restored greater certainty in the area of estate and gift taxes. Changes made in 2011 that set a \$5 million limit on the total amount that can be given to others during lifetime or at death have now been made permanent.

For a married couple, the combined total was \$10 million with proper planning. This amount, indexed for inflation beginning in 2012, is \$5.25 million per individual in 2013.

Estate and gift taxes may also be due at the state level and those taxable thresholds and rates may be different from the federal tax rules.

More assets to give to others

For charitably minded individuals, lower estate taxes can be good news indeed, as it now means that most will be able

to make their estate plans with less concern for federal taxes on amounts left to loved ones.

In light of that fact, it is possible for one to increase amounts left to heirs while making the same or larger gifts for charitable purposes through their estates. In many cases this can be achieved without the use of complex plans required to reduce taxes under prior law.

Minimize income tax for heirs

Because amounts left to heirs through an IRA, 401(k) or certain other retirement plans will be subject to income tax when received by them, some may wish to devote all or a portion of these funds to charitable purposes and leave to heirs other assets that will be received free of income taxes.

Insurance policies that were purchased to provide funds for payment of estate taxes may also

be a source of funds that could now be redirected either partially or fully for charitable use.

If, like many, you will be revisiting your estate plans in light of the new tax law, we will be pleased to assist you and your advisors as you consider the charitable dimension of your plans.

GREETINGS IN THE NAME OF OUR LORD JESUS CHRIST:



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Churches are the most overlooked charities when it comes to estate stewardship. Why? The primary reason is because churches, unlike other charitable organizations, do not ask their members to consider including the church in their estate plans. Also, most church members, even those who tithe, understand tithing as something one does during life, but not at death.

A recent survey conducted by LifeWay Research among pastors of Southern Baptist churches throughout the USA showed the following results: (1) only 16 percent of the churches received any kind of estate gift during the preceding year; (2) the average estate gift was \$22,507, well below the \$70,000 average estate gift among all of the charitable organizations in the USA; (3) although 72 percent of the pastors believed every Christian should include the church and other Christian ministries in their estate plans, 86 percent of them confessed they had not provided their congregations with seminars or even basic information on estate planning in the past year; and (4) a majority of pastors revealed they were more comfortable and more inclined to preach on the importance of giving from one's income than one's estate. Since 91 percent of the average family's net worth is in non-cash assets, and since \$41 trillion, the largest generational wealth transfer in history, is passing from one generation to another, what a huge missed opportunity in financial stewardship this is for churches and Kingdom advancement!

Did you know people over age 75 give four times more of their

income than do 25- to 44-year-olds? Although members 65 and older account for only 19 percent of the membership of evangelical churches in the USA, they give 46 percent of the offering plate dollars. These older, more generous core church members are the ones whose funerals are being held every day across this country. They are the ones collectively who will be passing this \$41 trillion of wealth to their children, grandchildren and other heirs, and to the government in taxes.

The KBF has the conviction that for Kentucky Baptist churches to be successful in reaching Kentucky and the world for Christ, Kentucky Baptist churches must be equipped to cultivate and secure estate gifts from their members, and because the KBF was established in 1945 by the churches, for the churches and to help the churches reach Kentucky and the world for Christ.

So, follow the lead of Walnut Street Baptist Church in Louisville and call upon KBF to assist in putting in place a plan of education and awareness, casting a vision about the vital importance and use of estate gifts and facilitating the receipt and administration of those gifts.

For us as Christians, how we plan our estates likely will be the most important act of financial stewardship we shall ever make. And, through estate stewardship, each of us can impact the world for Christ. Call Laurie Valentine or me toll-free at (866) 489-3533. We stand ready to assist you and your church.

