

LIFE INCOME GIFTS:

Charitable gift annuities | Charitable remainder trusts

Thank you for your interest in supporting the Animal Legal Defense Fund through a life income gift. Life income gifts allow you to support our important work to help animals, and feel confident that you have dependable income in your retirement years.

There are two types of life income gifts: **Charitable Gift Annuities**, and **Charitable Trusts**. The following contains general information about these gift types. Please make sure to consult with your financial planner, tax advisor and/or attorney, to get independent advice about which is best for you.

CHARITABLE GIFT ANNUITIES:

Charitable Gift Annuities are, first and foremost, a gift to our organization. However, a charitable gift annuity also provides you with fixed income for the rest of your life. It can offer you significant tax benefits, such as an immediate federal income tax deduction and, if you donate appreciated securities, savings on capital gains taxes.

How they work: The Animal Legal Defense Fund partners with the National Gift Annuity Foundation to facilitate gift annuities that benefit our organization. A charitable gift annuity is a simple agreement between you and the National Gift Annuity Foundation (NGAF). In exchange for a donation of \$20,000 or more, the NGAF will pay you and/or another recipient fixed payments each year for life. These payments, a portion of which may be tax-free, are based on the age of the payment recipients at the time of the gift. The payments do not fluctuate and are fully backed by a gift annuity reserve fund. The remaining balance passes to the Animal Legal Defense Fund when the contract ends at the death of the last beneficiary.

If you are younger than age 55 or would like the payments to commence at a higher age in order to better fit with the rest of your planning, you can defer the annual payments for a period of years and receive a higher annuity rate and larger tax deduction while establishing a reliable, regular source of retirement income.

A gift annuity is for you if:

- You want to make a significant gift to us and receive lifetime payments in return.
- You want to maximize the payments you receive from your planned gift — and you want to lower your income tax on those payments.
- You want the security of payment amounts that will not fluctuate during your lifetime.
- You also appreciate the safety of your payments being a general financial obligation of the National Gift Annuity Fund.
- You like the idea of supplemental income you cannot outlive.

A deferred gift annuity is for you if:

- You are in high earnings years, looking for both income tax savings now and an additional source of revenue when you retire.

Benefits:

- Generate fixed income for yourself or a loved one.
- Protect animals for years to come.

Next Steps: If you would like more information about how a Charitable Gift Annuity could work for you, please contact Jenna Benton at jbenton@aldf.org or 707-795-2533 x1034. She will gather the necessary information, and we will send you an illustration of your potential payment schedule based on the gift amount that you are considering.

CHARITABLE TRUSTS:

Charitable Trusts

Charitable Trusts allow you to:

- Retain the right to receive payments from a trust
- Provide for your heirs;
- Reduce your taxes; and
- Support the Animal Legal Defense Fund.

The type of trust you choose depends on your specific goals.

Charitable Remainder Trusts are irrevocable trust arrangements between you and a trustee of your choice (typically a trusted family member, friend, or bank or trust company) that provide income to you or your designated beneficiary or beneficiaries for life or for up to 20 years, with the remaining assets paid to the Animal Legal Defense Fund.

How it works: A Charitable Remainder Trust can be established using a wide variety of assets, including cash, appreciated publicly traded stock, real estate, closely held stock or oil, gas and mineral interests. At the end of the trust's term, the remaining assets pass to the Animal Legal Defense Fund as the charitable beneficiary. Donors are eligible for an immediate federal income tax charitable deduction and, by contributing appreciated assets to the trust, you can diversify your investments and increase your earnings while incurring no immediate capital gains tax.

Benefits:

- Receive income for yourself and/or a loved one for a period of years or life.
- Transfer your appreciated securities or real estate and avoid capital gains tax on the transfer.
- Receive an income tax deduction and reduce or eliminate estate taxes.
- Convert low-yield or non-income producing assets into a lifetime stream of income.

CHARITABLE REMAINDER ANNUITY TRUSTS:

There are two types of charitable remainder trusts: **Unitrusts and Annuity Trusts.**

Charitable Remainder Annuity Trusts: A trust from which you receive fixed income for life or a term of years.

A Charitable Remainder Annuity Trust is best for those older than age 70 seeking to make a substantial gift and receive a higher income for a short period of time.

Benefits:

- Fixed income payments;
- Income tax deduction;
- No up-front capital gains tax on transfer of assets; and
- Significant gift to the Animal Legal Defense Fund in the future.

CHARITABLE REMAINDER UNITRUSTS:

Charitable Remainder Unitrusts: A trust from which you receive variable income (based on the trust's value each year) for life or a term of years.

A Charitable Remainder Unitrust is best for those older than age 55 seeking to make a substantial gift.

Benefits:

- Variable income;
- Income tax deduction;
- No up-front capital gains tax on transfer of assets; and
- Significant gift to the Animal Legal Defense Fund in the future.

CHARITABLE LEAD TRUSTS:

Charitable Lead Trusts make annual payments to our organization as your charitable beneficiary, either for a fixed number of years or for the life of an individual or individuals, with the remainder passing to you or family members.

How it works: You transfer cash or assets, which are appreciating in value, into a trust you create with the intention of supporting the Animal Legal Defense Fund first. When the trust terminates, the remaining assets then either return to you or go to your loved ones. There are two types of charitable lead trusts — grantor charitable lead trusts and non-grantor charitable lead trusts. Depending on which type you choose, you may be eligible for such tax benefits as an immediate income tax deduction or a deduction in the estate and gift taxes on the future transfer of assets to a family member.

Your transfer to the trust is treated as two separate gifts. The first gift is to the Animal Legal Defense Fund in the form of an annual payment. The second gift is the remainder interest that your family will ultimately receive. To receive a transfer tax deduction for the charitable payment, it must be either:

An annuity payment: With this type of payment, the Animal Legal Defense Fund receives the same amount annually whether the trust assets appreciate or depreciate. If the trust income is insufficient, the trustee uses principal to make up the difference.

A unitrust payment: With this option, the Animal Legal Defense Fund receives a variable amount based on a specified percentage of the fair market value of the trust assets, valued annually. You set the percentage upon creating the trust. The payments fluctuate with trust appreciation or depreciation. If the trust income is insufficient, the trustee uses principal to make up the difference.

Benefits:

- Transferring assets to family members at very little gift or estate tax costs;
- Potential to pay a relatively small gift tax for eventually transferring a large amount of assets to your children;
- Provides you or the trust with an income tax deduction; and
- Provides an annual gift to the Animal Legal Defense Fund for a term of years.

CHARITABLE REMAINDER TRUST VS. LEAD TRUST:

The main difference between a charitable remainder trust and a charitable lead trust is when we receive your gift. With a remainder trust, we receive the remainder after your lifetime or a term of years. With a lead trust, we receive our gift first, with the remainder going to individuals you choose.

SELECTING A TRUSTEE:

You must have a trustee for a charitable remainder trust. Your options include commercial institutions such as a bank or trust company, or an individual preferably with professional experience in trust management.

NEXT STEPS:

Next Steps: Please contact us to let us know if you are considering setting up a trust to benefit the Animal Legal Defense Fund: Jenna Benton at jbenton@aldf.org or 707-795-2533 x1034. Please also seek independent advice from a financial planner or legal expert who can assist you with establishing your trust.

The information in this publication is not intended as legal or tax advice. For such advice, please consult an attorney or tax advisor.

