Aid to the Church in Russia

Leaving a legacy through planned giving….

A Message from Father Marcel…

I encourage you to take a moment to read through this booklet and to consider the numerous ways that you can help support *Aid to the Church in Russia's* mission of re-Christianizing Russia. Beyond the obvious and greatly appreciated outright gifts of cash, Aid to the Church in Russia also offers its friends and partners expert assistance in the areas of Gift Annuities, Charitable Remainder Trusts and gifts of Real Estate, Life Insurance and Bequests.

As you will discover, these types of gifts offer tremendous tax advantages for your heirs, and make an immediate impact on the lives of people of Russia. With your gifts we will continue to build and rebuild churches, assist our priests and religious with a stipend, help to educate the youth and young adults and provide humanitarian aid where needed.

Please take advantage of the financial planning services extended to you by *Aid to the Church in Russia*.

With all my thanks,
Father Marcel Guarnizo
President, ACR

OUTRIGHT GIFTS

For most people, the easiest and most convenient gift arrangement is an outright gift.

Outright gifts of present interests in property (cash, securities and real estate) are advantageous for tax purposes if you have high income and/or substantial assets other than the property you intend to give. As the donor, you would receive an immediate charitable contribution deduction for the full gift value of the property as allowed by law and generally avoid capital gains taxation on any asset appreciation. You would also have the satisfaction of immediately seeing your gift at work.

CASH GIFTS

Simplicity and ease of delivery make ash the most common type of charitable gift. The gift is considered made on the date delivered or mailed (by credit card when charged even though paid later). Generally, such gifts are deductible to the extent of 50% of your adjusted gross income (income for tax purposes before deductions and personal exemptions); any excess can be deducted over the next five years, subject to the same 50% limitation.

MATCHING GIFTS

Many employers will match your gift one-for-one or even two-for-one, providing additional support for ACR. Often These programs are extended to retirees. For additional information on matching gifts, contact the employee benefits office at your place of employment.

PROPERTY GIFTS

Appreciated Property

The deduction for gifts of appreciated property have held for more than one year is normally equal to the fair market value of the property donated. If you held the property for less than on year, your deduction is limited to your cost basis (what you originally paid for the property). These gifts are generally deductible to the extent of 30% of your adjusted gross income. Any amount not currently deductible because of such a limitation, however, may be carried forward and deducted over the following five years, subject to the same 30% limitation.

Depreciated Property

Conversely, if you are considering a contribution of property, which has decreased in value since acquisition, you can only claim a deduction for the property's fair market value. Thus, you should first sell the property and then donate the proceeds, thereby establishing a loss for tax purposes (available to offset other gains).

***Appraisal Requirements* –** these rules, which affect all significant gifts of property, except publicly traded securities, are discussed in the section covering of real estate.

TYPES OF PROPERTY GIFTS

Gifts of Securities – Securities may be given either by transfer of the certificate ownership or through account transfer arranged with your broker. In either case, you avoid the tax on any potential capital gain and receive a deduction for the full fair market value of the securities.

Gifts of Tangible Personal Property – Gifts of equipment, books, gems, artwork, etc. are deductible (within percentage limitations discussed above) to the extent of full value so long as the property may be used in furtherance of the exempt purpose of ACR. Thus the use of the donated property is unrelated to ACR's tax exempt purpose, such as a coin collection given for resale, the deduction is limited of a painting by the artist, the deduction is limited to the cost of producing the asset.

Gifts of land – see separate section dealing with gifts of real estate.

OUTRIGHT GIFTS

THE GIFT ANNUITY

A Charitable Gift Annuity is a combination of a gift and an investment. In exchange for a gift of $5,000 or more either in the form of cash or readily marketable securities), you will receive a fixed sum on a regular basis from ACR throughout your lifetime.

INCOME STREAM

The annuity payout is based on the ages of the annuitant(s), with older donors receiving a higher payout than younger donors (*see Table of Rates below*).

***Annuity Table of Rates** (effective 7/01/01)*

Sample one-life rates		Sample two-life rates		
Age	Rate	Age older	Age younger	Rate
60	6.4%	55-57	55	5.7%
65	6.7%	62 +	60	6.2%
70	7.2%	67-71	65	6.4%
72	7. 4%	69-72	67	6.5%
74	7.7%	73-76	69	6.7%
76	8.0%	74-76	71	6.8%
78	8.4%	76-78	73	7.0%
80	8.9%	80-81	75	7.3%
82	9.4%	81-82	77	7.5%
84	10.1%	84-85	79	7.9%
86	10.8%	86-87	81	8.3%

THE BENEFITS YOU RECEIVE FROM A GIFT ANNUITY ARE SUBSTANTIAL:

- *Guaranteed life income – a portion of which is tax-free*
- *Immediate charitable contribution deduction*
- *Capital Gains tax savings •Estate tax savings*
- *Establishment of a charitable legacy*

Gift annuity rates are established by the *American Council on Gift Annuities*. In determining these rates, it is assumed that one half of the Initial contribution will be allocated to the repayment of the annuity and one half will be treated as a charitable gift.

CHARITABLE DEDUCTION

You can claim a charitable contribution deduction In the year of the gift for the portion of the gift's value which exceeds the value of the annuity you receive. You may also specify how your gift will be used by *Aid to the Church In Russia*.

Cash
For a gift of cash in exchange for a charitable gift Annuity, you would receive a lifetime income stream (based on the above rates) as well as a charitable contribution deduction. This income stream would be classified as ordinary income and tax-free return of principal. If you outlive your actuarially determined life expectancy, the entire income stream would be

Appreciated Securities

By making gifts of appreciated securities to the annuity program, you can reduce and potential long-term capital gain tax which would be due upon outright sale. The total capital gain is split into two parts: gain assignable to the annuity and gain assignable to the gift. The remaining part is spread out over your actuarial-determined life expectancy. Thus, your income payments are taxed as ordinary, capital gain and tax-free income. If you outlive your estimated life expectancy, your entire income stream is taxed to you as ordinary income.

Security of Payments

A gift annuity is a contract between you and the issuing charity, ACR, and guaranteed by ACR's assets. You need not be concerned about the performance of the stock market or interest rates.

Tax Reporting

Aid to the Church in Russia will furnish you with a worksheet showing the amount of your charitable income tax deduction and will prepare the necessary IRS Form 1099-R detailing your income payments under this plan. This form will be sent to you in January of each year. For ordinary income property contributions over $500, you will also need to file a Form 8283.

CHARITBLE REMAINDER TRUSTS

In the mid-1960's, the United States Congress enacted legislation to encourage individual charitable giving. One result was the Charitable Remainder Trust (CRT). If an individual is willing to irrevocably commit assets to a bona fide 501(c)(3) not-for-profit organization through a CRT, they will receive the following benefits:

- Avoidance of capital gains taxes on the sale of appreciated property
- A current income tax deduction
- A reduction in estate taxes
- An increase in current income
- Preservation of assets for loved ones
- Establishment of a charitable legacy

At the expiration of lives or a select term of years (not to exceed 20), whatever remains in the trust becomes a charitable gift to a named not-for-profit organization.

PLANNING FEATURES OF CRT'S

Educational and Retirement Planning – CRT's can be structures to provide initial investment in high growth/low dividend assets and then converted at a targeted later date to higher income investments that produce funds for education or retirement. Even though the income may be received at some point in the future, the donor receives a charitable contribution deduction in the year the assets are contributed to the trust.

Remainder Trusts

MECHANICS OF A CRT

Simply stated, a CRT is an irrevocable, tax-exempt trust divided into income and gift portions.

Income Portion

The CRT will pay income to you and/or others at a rate of at least 5% of the trust value for life or for a selected term of years (not to exceed 20). In the case many assets, such as stocks or real estate, the trust will generate substantially more income than was produced by the asset before the trust was created. Also, since the CRT is exempt from capital gains tax, it can sell the appreciated assets without a tax liability.

TYPES OF CHARITABLE REMAINDER TRUSTS

There are two basic types of CRT's that accomplish different objectives:

1. Charitable Remainder Annuity Trust (CRAT) – pays a fixed percentage (at least 5%) of the INITIAL value of trust assets at least once each year. The trust payout is constant regardless of fluctuations in trust value or trust earnings. In an annuity trust, if trust earnings are insufficient to make the required payments in any year, the difference is paid from trust principal. No additional contributions are permitted under the rules governing CRAT's.

2. Charitable Remainder Unitrusts (CRUT) – pays a selected percent (at least 5%) of the ANNUAL value of the trust each year. The trust payout can vary each year due to fluctuations in trust investment activities and market trends. Generally, if trust earnings in any year are insufficient to pay the selected rate applied to the ANNUAL value of trust assets, the difference is paid from trust principal. Additional contributions are permitted under the rules governing CRUT's.

GIFTS OF REAL ESTATE /LIFE INSURANCE

GIVING REAL ESTATE

You may donate your personal residence, all or part of your vacation residence, commercial property, farm or other real Estate either as an outright gift or part of a life-income plan described in the previous sections. Tax savings and other benefits will vary according to the method you choose, your personal circumstances and the value of the property.

METHODS OF GIVING

Outright Gifts

As always, the simplest form of transferring any property (real or otherwise) is the outright gift. If the property has been held for more than 12 months, you are entitled to a deduction for the full fair market value of the property. In addition, any appreciation in the property will not be taxed as capital gain.

The value of long-term capital gain property is generally Deductible up to 30% of your adjusted gross income in the year of the gift. Any leftover amounts may be carried forward up to five subsequent years, subject to the same 30% limitation.

If the selected property has depreciated in value, it is to your Advantage to sell the property, establish your tax loss (which Can offset any taxable gains) and then donate the proceeds of Sale, since any tax deduction is limited to the fair market value of the property.

Appraisal Requirements

Charitable contribution deductions for gifts of property (other than cash or publicly traded securities) with a value in excess of $5,000 must be substantiated by a “qualified appraisal.” This requirement is in addition to those generally required to document any deduction claimed for tax purposes, and is necessary in order to support the deduction of such

GIVING LIFE INSURANCE

For many people, life insurance affords a practical means of making a gift to Regent University. If you name the University as the owner and beneficiary of the policy, the policy’s value is your charitable contribution deduction in the year of transfer. If the policy is not fully paid up, you will be entitled to a charitable contribution deduction for each subsequent premium payment.

A gift of a life insurance policy to the University will allow you to claim a deduction equal to the cash surrender value of the policy, its replacement value, or its “interpolated terminal reserve” value (a value slightly higher than its cash surrender value) but not in excess of its tax basis (cost).

Naming ACR as the primary or alternate beneficiary (but not the owner) will not provide a current deduction for either the value of the policy or the premiums paid. However, your estate will be

Gift of Property with Right to Occupy till Death

This may consist of your personal residence, vacation home, yacht or other property used as a residence (not necessarily your principal residence) or farm (which is any land used by you for production of crops or sustenance of livestock) while retaining the right to live in or otherwise use the property for your life. While you would continue to be responsble for the upkeep, insurance and taxes on the property, you are entitled to a charitable contribution deduction for the present value of your future gift. The amount of this deduction is dependent upon the value of the property and your age at the time of the gift.

A Bargain-Sale Gift

This may be an attractive way to make a gift of property where the value of the property is greater than the amount you wish to give it is not practical or economical to divide it. The property is sold to ACR at less than its fair market value. The difference is the amount of your charitable contribution deduction. If te sale/gift is of appreciated property, a portion of the potential gain will be subject to tax. Acceptability of bargain sales from ACR's point of view depends, of course, on the marketability of the property, the amount of the bargain and the availability of funds to make the purchase.

Unitrust Option– Highly appreciated real estate is an excellent choice for funding a charitable remainder trust. You would avoid the capital gains tax, receive an income tax deduction and generate an income stream once the property is sold and converted to income-producing investments. Unitrusts are covered in greater detail on page 4.

permitted to deduct the amount of the proceeds payable to ACR for estate tax purposes and you will be able to confer a significant benefit on ACR at a relatively modest annual cost.

Finally, should you wish to ensure that the proceeds of life insurance be available for the support and maintenance of your surviving spouse before going to ACR, a variety of trust arrangements can accomplish this objective while providing your estate with a deduction for the proceeds paid to the trust without causing the property in the trust to be included in the estate of your spouse.

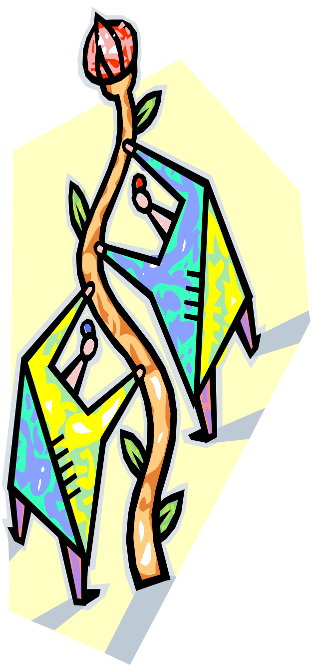
Wealth Replacement Option

A major objection to any type of charitable giving is that it deprives family members of the value of the donated asset. This problem can be overcome by coupling a charitable remainder trust (see page 4) with another type of trust utilizing life insurance.

In this scenario, you, as the donor, establish a CRT as described on the previous pages. By using the tax savings produced by the charitable deduction or the life income stream generated by this trust, you establish a second trust funded with life insurance. At the death of all trust recipients, whatever remains in the CRT is distributed to the named charitable organization. The life insurance policy in the second trust arrangement is distributed to family members free of gift and estate taxes because of the rules governing this type of trust.

As a result, the donors receive all the CRT benefits previously described, the children receive the value of the donated asset, and the charitable organization receives a generous gift.

Bequests



Including Aid to the Church in Russia (ACR) in your estate planning accomplishes several worthwhile objectives:

• Provides a significant legacy to ACR that will help make available the resources necessary to give continued financial assistance to Re-Christianize Russia.

• Reduces your estate tax burden by providing a charitable deduction equal to the value of the bequest at the time of your death.

• Ensures that your assets are distributed in accordance with your wishes.

Types Of Bequests

Bequests are provisions made in your Will or Living Trust that specifically set forth the portion or actual dollar amount that you wish transferred to a charity after death.

General Bequest:

This is a fight that is payable from the general assets of your estate. The usual general bequest directs that a certain sum of money be paid to ACR.

Specific Bequest:

This gives a particular item of Real or personal to ACR.

Residuary Bequest:

This provides ACR with the remainder of your estate after all of your debts, expenses and taxes have been paid and all general and specifics have been satisfied.

Contigent Bequest:

This makes ACR a beneficiary of your estate only when designated beneficiaries fail to survive you

Bequest By Codicil:

If you already have a Will and you wish to make a bequest to ACR without rewriting your entire Will, a Codicil can be drawn to accomplish this goal.

Directing Your Bequest

Once you have determined the type of bequest you wish to make, you should consider making further provisions that indicate how you want your bequest to be used by the university. There are two categories of bequest designations:

Unrestricted Bequests: This form of bequest is intended to support the overall work of ACR.

Restricted Bequests: This form of bequest specifically directs the university to use the funds in a particular purpose. The designation can be made to to any of the four funds of ACR: Building, Aid to Priests & Religious, Humanitarian Aid, Education.

It is recommended that you consult with the staff at ACR if you wish to make a restricted bequest to ensure that the specific purpose can be accomplished.

All of the above examples and suggested language are provided by ACR for informational purposes only. Please consult your attorney for specific information.

Each topic in this brochure must be analyzed in the context of the donor's intent and tax situation.
The preceding information is, therefore, intended to provide an overview of Planned Giving with general examples for illustrative purposes only. Those interested in Planned Charitable Giving are strongly encouraged to seek qualified financial and/or legal advice to ensure conformity with Federal and State laws, and to determine the effects of charitable giving plans on his or her personal financial situation.

"Whatsoever you do for the least of your brother, that you do unto me."

If you believe in our mission, your financial support is critical, regardless of the size. Alone or together with others, your gift can provide funding for the four funds of ACR towards the goal to Re-Christianize Russia.

For More Information

We invite your inquiry, without cost or obligation, concerning possible gifts, our programs, potential tax savings or any aspect of your estate planning. Please contact the Planned Giving Office at (703) 757-9756.

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About Your Gift