



Charitable Planning

to Benefit Kingdom
Service Worldwide

“Honor Jehovah with your valuable things.”

—Proverbs 3:9.

How well those words describe our support of the worldwide preaching and teaching work! Jehovah's people are responding to that invitation. They give generously of their time, their talents, and their strength—all valuable things.

As a result, people of all nations are streaming to Jehovah to receive his instruction. (Micah 4:1, 2) In turn, the number of congregations of Jehovah's Witnesses continues to grow at a remarkable rate.

Beyond giving of themselves in the preaching and teaching work, all are privileged to support it through monetary donations. Doing so is most fitting, for it is vital that this Christian work continue.

The progress of this worldwide educational campaign results in rapid growth. This leads to a growing need for Kingdom Halls and Assembly Halls as well as new and renovated branch offices, printing facilities, and Bethel homes. New and expanding territories make such projects all the more urgent and challenging.

Additionally, at times special needs arise. For example, when Christians suffer the effects of wars, earthquakes, droughts, and storms, the brotherhood promptly comes to their aid with relief operations. (2 Corinthians 8:14) How are such organizational expenses met? By contributions that are strictly voluntary! Never has this been more important than it is today.—Galatians 6:9, 10.

This brochure has been prepared in response to the numerous requests received from those who want to assist financially in the advancement of Kingdom interests. It also explains the role of the Charitable Planning Office and how you can avail yourself of the services it offers.

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Estate Planning

An Overview

Introduction

Every person who has money or owns property that will not be expended or disposed of during his or her lifetime has an estate. Estate planning is simply the process of deciding how your assets will be distributed after your death, or even now, and includes taking steps to carry out your decisions effectively and economically. These steps may involve titling assets, naming beneficiaries, and creating such documents as wills and trusts. In complex situations much more is involved.

Such estate planning can be intimidating, but it need not be. It does, however, involve time, energy, and determination. *Some serious decisions need to be made.*

Because estate planning involves the people and causes that are dear to you, it may also be a deeply emotional process. For the same reason, it is well worth the effort.

What Is Charitable Planning?

When Jehovah told Hezekiah, as recorded at 2 Kings 20:1, that he should make plans for his family because his death was imminent, God clearly indicated that it is the primary responsibility of family heads to care for their family. This Bible principle, along with the exhortation to "honor Jehovah with your valuable things," lays a fine foundation for charitable planning.—Proverbs 3:9.

Regardless of age, health, or financial circumstances, one needs to plan in order to benefit the family as much as possible. Estate planning is not, as many believe, only for the elderly and the rich. The fact is that those who exceed a certain annual income or who acquire a certain amount of assets during their lifetime cannot keep all of it for the benefit of the family. Taxes must be paid.



However, because the government has designed tax laws with incentives to encourage charitable giving, a planned charitable gift during life, or at death, may reduce or eliminate those taxes. Such a gift can even be structured to create a lifetime income for the donors, their family, or other beneficiaries.

For a Christian, then, the term "charitable planning"—or "planned giving," as it is often called—implies that a portion of one's assets will be used to advance Kingdom interests. Many have benefited from receiving clear suggestions on how best to arrange their affairs so as to minimize taxes and maximize the benefits left to their loved ones and to the Society.

The Charitable Planning Office

Often, complex tax laws confuse those who want to give. They have many questions. They do not know how to give in the most effective manner in order to minimize taxes and to maximize benefits for their family and the worldwide Kingdom work.

The Charitable Planning Office was established to provide a much needed service: that of assisting those who want to use some of their assets to support the Society's worldwide Kingdom work. It does this by answering their questions and by discussing the available options with them or their professional advisors.

What the Charitable Planning Office Does

The service provided by the Charitable Planning Office is a personal one. If you have questions regarding gifts, wills, and trusts or require information on estate planning, please feel free to call the Society. Ask for the Charitable Planning Office. We would be happy to discuss the various charitable giving options with your tax advisor, accountant, or attorney.

What the Charitable Planning Office Cannot Do

The Charitable Planning Office cannot *prepare* your legal documents for you. We urge you to consult with your tax advisor or legal counsel for a full discussion of the implications of any gifts you desire to give or estate planning you care to do.

Benefits of Charitable Planning

A planned gift will generally include one or more of the following benefits:

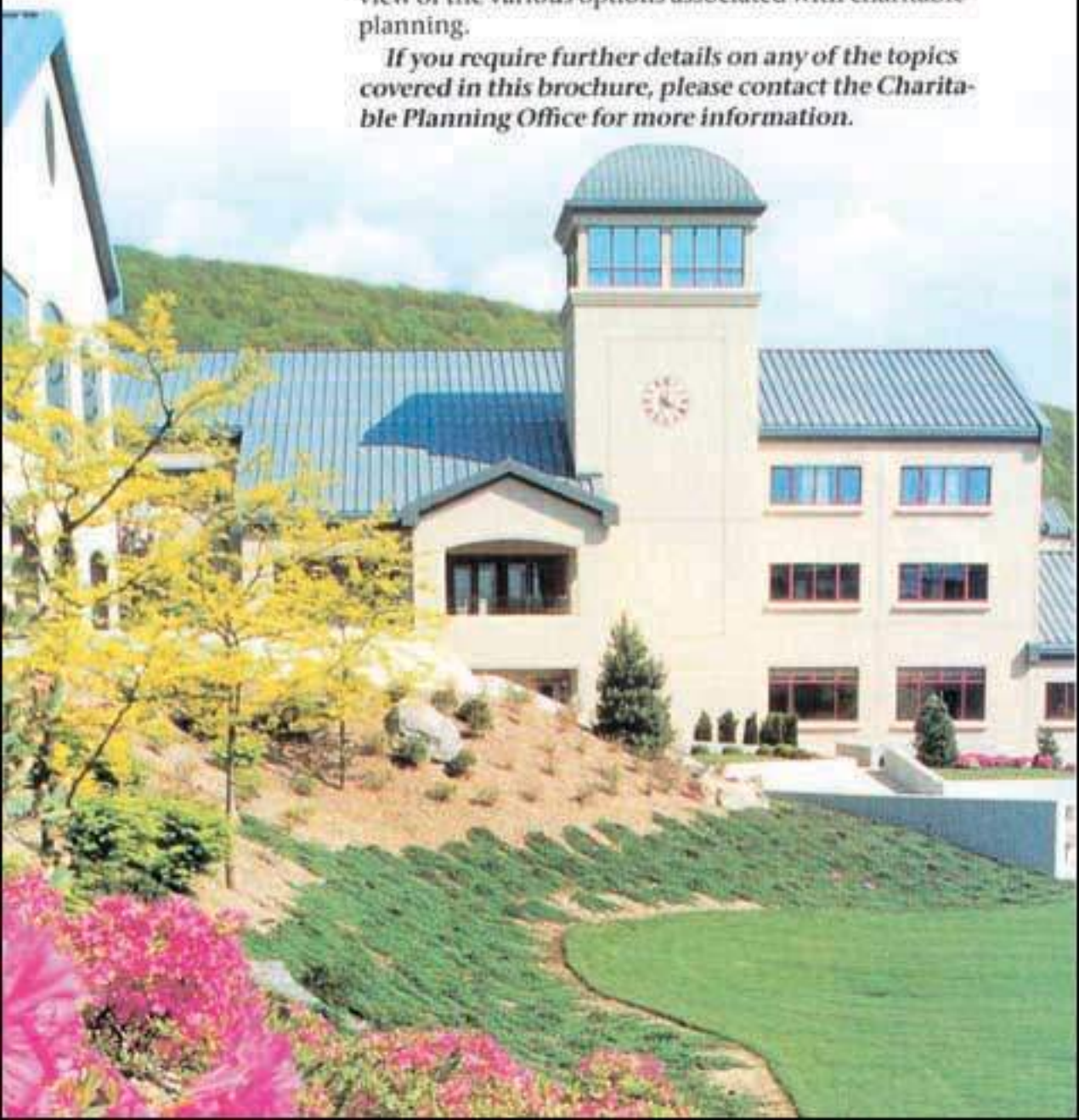
- *Income tax savings*
- *Avoidance of capital gains tax (for a contribution of certain appreciated long-term capital gain property)*
- *Retained-income rights for a period of time or for life and the life of your spouse or other beneficiaries*
- *Possible increase in personal spendable income as a result of certain gifts*
- *Elimination of federal estate taxes (on the value of property passing to the Society upon a donor's death)*
- *Significantly reduced estate probate costs (by utilizing certain trusts)*

It is neither the intention nor the desire of the Charitable Planning Office to solicit donations. Rather, we merely work to assist those who request help in understanding estate planning in which the Society may be involved.

The Charitable Planning Brochure

This brochure is designed to provide only an overview of the various options associated with charitable planning.

If you require further details on any of the topics covered in this brochure, please contact the Charitable Planning Office for more information.



Charitable Planning to Benefit Kingdom Service Worldwide

An Overview

Introduction

Many who have charitable intent have asked how they can make contributions to the Society's work in the most effective manner. The answer may well depend on your individual circumstances, the type of assets you intend to contribute, and a range of other factors including what your personal and family goals are.

Charitable planning that will benefit Kingdom service worldwide falls into two basic categories.

Gifts That Will Benefit the Society Now

Gifts that will benefit the Society now usually include money, securities, real estate, and other tangible assets. Such gifts provide an opportunity for the Society to put these assets to work *immediately* in order to further Kingdom interests.

Gifts That Will Benefit the Society Later

Gifts that will benefit the Society later include bequests from wills or living trusts. The Society also benefits later when named as beneficiary of bank accounts, life insurance policies, and retirement plans.

There are certain types of deferred gifts that provide a present income tax deduction, a flow of income to the family, and a future gift to the Society. Gift annuities and charitable remainder trusts fit into this category.

Things to Consider

In deciding which type of gift would be most appropriate for you, it may be necessary to consider such points as:

- *Will I require access to these assets during my lifetime?*
- *In planning for my family or myself, does it appear that a fixed annual income would be helpful?*
- *Can I afford to make an irrevocable contribution, or is there a likelihood that I will need access to these assets later? With all of this in mind, you may wish to seek advice before making your gift to the Society. Your financial advisor and the Charitable Planning Office can assist you in this.*

Gifts That Will Benefit the Society Now

Gifts of Money

Outright gifts of money are the simplest and most common way of making contributions. Such an unrestricted gift provides an immediate resource that the Society can use in its many theocratic endeavors. Gifts of money may be made in any amount and at any time. You may send these gifts directly to the Society. *Please follow the directions on page 29.*

Gifts of money are tax deductible up to 50 percent of your adjusted gross income. If you cannot deduct the entire gift in one year, you may carry the unused portion of the tax deduction forward for up to five additional years.

Outright Gift



Gift of cash,
securities,
or property



Bond:

A security evidencing indebtedness to the holder that usually provides for the payment of interest at regular intervals.

Capital gains tax:

Tax imposed upon the gain from the sale of such assets as securities or other investments.

Advantages

Income tax deduction

No capital gains tax on appreciated property

Gifts of Securities

Stocks and/or bonds that have appreciated (increased in value) make fine gifts. If you sold such securities, they would be subject to capital gains tax. However, by making a gift to the Society of securities that you have held for at least 12 months, you receive a double benefit:

- You avoid tax on the appreciation or profits.



Example: Mary is in a 28-percent tax bracket and is trying to decide whether to donate \$10,000 in cash or that amount in stocks that have appreciated. Here is a comparative view of the effect each type of gift would have on her taxes:

	Gift of cash	Gift of securities
Amount	\$10,000	\$10,000
Deduction	\$10,000	\$10,000
Income tax savings	\$2,800	\$2,800
Capital gains tax savings	None	\$1,800
After-tax cost of gift	\$7,200	\$5,400

- You receive a charitable income tax deduction for the full fair market value of the assets when you make the gift.

If you hold securities that have declined in value, it is generally better to sell the securities yourself to take advantage of the loss for income tax purposes and *then* donate the proceeds to the Society.

Gifts of securities that have appreciated and were held by you for at least 12 months actually cost you less than a gift of that amount of cash, as you can see by the example above.

Gifts that fall into this category are deductible in an amount not to exceed 30 percent of your adjusted gross income. A gift in excess of that amount may be deducted on tax returns for up to five additional years.

If you experience an unusually high-income year, a "special election" may be available, which will enable you to obtain the maximum tax benefit from your

charitable deduction. This can increase the ceiling to up to 50 percent of your adjusted gross income.

The use of this election generates the best tax results when the appreciation is relatively small.

In the event that you wish to give less than the total number of stocks or bonds you hold, the Charitable Planning Office can advise you on how best to divide such holdings.

If you wish to make a gift of securities, please refer to details on page 29.

Gifts of Real Estate

A gift of real property (real estate) offers benefits similar to those of a gift of securities. If you sell real estate that has appreciated in value, you would normally have to pay capital gains tax.

However, by deeding the property directly to the Society, you avoid tax on the increased value and, at the same time, receive a charitable income tax deduction for the property's full fair market value. That value is determined at the time of the gift. In some instances, however, prior deductions for depreciation may reduce your tax benefit.

Before you deed property to the Society, please check the directions on page 29 and contact the Charitable Planning Office to ensure that the gift can be accepted and to find out how best to proceed.

Gifts of Other Personal Property

Jewelry, stamp or coin collections, and other tangible personal property can be contributed during your lifetime. In some instances, gifts of such tangible personal property may be eligible for the same tax benefits as securities. However, in most cases, one making such a gift will be entitled to a tax deduction for only the cost or other basis in that property.

Mortgages and notes receivable may also be donated.

Before making a gift of any personal property, please read the directions on page 29 and contact the Office of the Secretary and Treasurer. You will receive a reply as to whether the gift can be accepted and, if so, information on how to make the transfer.

Deed:

A document whereby ownership of a property is transferred from one person to another.

Basis:

Generally, the amount representing the original cost, which is used in calculating gain or loss upon sale of the asset.

Mortgage:

A written instrument by which the borrower gives the lender claim (lien) commonly on real property as security for the payment of an obligation.

Conditional Donations

During your lifetime you may give money to the Society under a conditional arrangement. This means that if you or a designated beneficiary (such as your spouse) has a financial need and makes a written request, the money can be returned. This kind of donation meets the wishes of many.

Such an arrangement ensures that the gift becomes the property of the Society in the event of the deaths of you and any other beneficiary and that the expense, time, and uncertainties of probate are avoided.

Because this arrangement leaves you free to request return of the money, there is no charitable income tax deduction.

Please write to the Office of the Secretary and Treasurer, as outlined on page 29.

Charitable Lead Trust

A charitable lead trust provides for payments from property in a trust to the Society for a designated term,

Probate:

The system whereby a court assumes authority over the assets of the estate of a deceased individual and determines the validity of a will if there is one. It appoints a legal representative, such as an executor, to manage the affairs under the jurisdiction of the court.

Conditional Donation



Advantages

Can request return of funds
Society uses funds for Kingdom Interests

Disadvantage

No income tax deduction allowed

after which the property either reverts to you or passes to family members or others you select.

The payments to the Society must be in the form of an annuity or a fixed percentage of the value of the trust property, determined annually.

There are two types of charitable lead trusts:

- the grantor lead trust
- the non-grantor lead trust (the more popular)

With the grantor lead trust, the property is ultimately returned to you. You receive an income tax deduction the year the trust is established, but you remain taxable on the income earned annually by the trust. Funding the trust with tax-exempt securities avoids this negative tax result. A grantor lead trust best suits someone who has a year of exceptional income, in that the opportunity to obtain an income tax deduction outweighs the disadvantage of being taxed on the trust's income in later years.

Charitable Lead Trust



1. Gift of assets



2. Income for a term of years



3. At death (or term), remainder to children



Advantage

Removal of appreciating property from donor's estate

Disadvantage

The trust is irrevocable

Example: Allen creates a charitable lead trust and funds it with income-producing real estate currently valued at \$250,000. He directs that the trust is to pay the Society \$20,000 annually for 15 years, at which point the assets of the trust are to be distributed to his children. In setting up the trust, Allen has made two gifts: one to the Society (valued at \$155,800 according to Internal Revenue Service tables) and one to his children (valued at \$94,200).



Assume that at Allen's death, the trust assets have increased in value to \$500,000. If Allen had not set up the charitable lead trust, the entire \$500,000 would be taxed in his estate. However, only the value of the gift to the children at the time the trust was created (\$94,200) was taxed. The balance of \$405,800 escaped transfer tax entirely.

A non-grantor lead trust created during your lifetime does not provide you with a charitable income tax deduction. Nor, however, are you taxed on any income earned by the trust. This type of trust is used when you want property transferred to family beneficiaries at a low transfer cost. It is particularly suitable when the property has the potential to appreciate considerably, as noted in the example above.

Of course, a charitable lead trust is practical only if your family can forgo income from the transferred property while the Society is receiving payments from the trust.

When considering a charitable lead trust, you should always compare the effects of a lead trust with the effects of simply holding on to your assets and contributing the income from them each year. You may find that there are benefits in doing the latter.

Contact the Charitable Planning Office for further details.

Gifts That Will Benefit the Society Later

Planned Gifts That Will Produce Income for You

Annuity:

An asset that pays a fixed sum of money yearly or at other regular intervals, the terms of which are set out in a contract, or agreement.

Annuitant:

The recipient of an annuity. The annuitants can be you, you and your spouse, or anyone you designate.

Irrevocable:

Cannot be altered or recalled.

Gift Annuity

A gift annuity is a simple contract between you and the Society that allows one or two individuals to receive a guaranteed income for life. To establish such an annuity, you donate cash or securities, and in turn, the Society promises to pay the annuitants of your choice a predetermined amount in periodic installments for life.

The payments are based on age and are designed to result in an ultimate gift to the Society of about 50 percent of the value of the transfer. You receive an income tax deduction for the year the annuity is funded. Thereafter, for the designated period of your life expectancy, you receive a portion of each payment tax-free. Note the example below.

Example: Carmen, aged 70, puts \$10,000 into a gift annuity that pays her \$750 each year. Part of the annual income Carmen receives from the annuity is tax-free (\$391.50 of the \$750 is not taxed).

The gift provides her with an income tax deduction of \$3,773, which in her 28-percent income tax bracket saves her \$1,056.



When Is a Gift Annuity Appropriate?

It is important to understand that once the initial gift of money or marketable securities is made, legally it cannot be returned, nor can the amount of the payment be changed.

Thus, you should not consider making an irrevocable gift of such assets to the Society if there is any real possibility that you will need the money or securities at a later time.

A gift annuity may be more appropriate for those who are older; such ones can perhaps afford to part with an asset if they are assured of fixed payments for life. A younger person may want to consider an alternative, such as a deferred payment gift annuity.

Gift Annuity



Advantages

Annual income for life

Immediate tax deduction

Capital gains tax deferred

Disadvantage

The arrangement is irrevocable

Deferred Payment Gift Annuity

A deferred payment gift annuity is similar to a gift annuity. However, in this agreement you donate cash or securities now and the Society agrees to pay the annuity at a later date. This arrangement often works well as part of retirement planning. Such deferment of annuity payments results in

- a higher payout once the payments begin
- a significantly larger income tax deduction in the year the annuity is established

This type of annuity is therefore particularly suited to a younger person who would like an immediate tax deduction but does not currently need income from the gift annuity. The guaranteed annual income can be set for the anticipated year of retirement, as the example on the following page shows.

Summary of Benefits

In summary, the gift annuity and the deferred payment gift annuity can offer these financial and tax benefits:

- A guaranteed annual lifetime income for one or two, payable periodically
- Lifetime financial protection for loved ones
- An immediate income tax savings because a portion of the gift can be used as a charitable deduction
- A portion of all annuity payments will be income-tax free
- Securities that have appreciated in value may be given for a gift annuity without incurring an immediate capital gains tax on the appreciation
- Probate costs and estate or inheritance taxes may be minimized or avoided
- Tax-deductible gifts may be made to a tax-sheltered fund during higher income years to provide a favorably taxed income after retirement



Example: Robert and Carol, both aged 45, decide to transfer highly appreciated stock worth \$60,000 to the Society in exchange for a deferred payment gift annuity. Payments of \$11,460 are to begin upon their retirement in 20 years and are to continue for the rest of their lives.

The payments will be taxed as follows:

Ordinary income	\$10,004.58
Capital gains	\$ 1,217.18
Tax-free	\$ 238.24
Total	\$11,460.00

Robert and Carol may use an immediate income tax charitable deduction of \$23,631—over 39 percent of their gift.

This arrangement nicely supplements their other retirement accounts. Unlike their other qualified plans, there are no upper or lower limits on their contributions or other restrictive requirements on the design of the plan.

Charitable Remainder Trusts

A charitable remainder trust (CRT) is an irrevocable arrangement in which you transfer money, securities, or real property to a trust. In return, it provides an income for you or other beneficiaries for life or for a designated fixed term, up to 20 years.

The rate of payout is

- determined at the time the trust is established
- not less than 5 percent (but not more than 50 percent) of the fair market value of the trust's assets

The remainder interest for the Society must be at least 10 percent of the value of the property transferred to trust.

A CRT offers greater flexibility than a gift annuity in that it can be set up for a specified period of years and can name more than two beneficiaries.


When Is a CRT Appropriate?

You would typically use a CRT when you have a highly appreciated asset, such as stock or real property, need an annual income, want to avoid capital gains tax, and wish to take advantage of an immediate income tax deduction.

How It Works

Generally, the process for implementing a CRT is as follows:

1. You make an irrevocable gift of an asset to the trust
2. The asset is then sold by the trust tax-free
3. The trustee invests the proceeds from the sale
4. You receive an immediate tax deduction and also an annual income from the trust for life or a fixed term
5. Remaining assets from the trust are distributed to the Society at the death of the last income beneficiary or at the end of the fixed term



Example: Stephen, aged 72, owns stock worth \$265,000 for which he originally paid \$7,500. He is pleased with how this stock has grown but is disappointed with the dividends he gets each year from the stock—only \$4,770.

He decides to make a gift to the Society through a charitable remainder unitrust. The trust pays Stephen and his wife 6 percent for life. The immediate effect of Stephen's gift is that his current annual income from that stock more than triples (from \$4,770 to \$15,900). He is entitled to a charitable deduction of \$101,572. Additionally, Stephen does not have to pay capital gains tax on the appreciated value of the stock.

Summary of Benefits

CRTs offer the following benefits:

- A guaranteed income for life or a fixed term for one or more beneficiaries
- An immediate income tax charitable deduction (the older the beneficiary and the lower the rate of payout, the higher the deduction)
- No capital gains tax payable when the asset is sold
- Reduction or elimination of estate taxes

Types of CRTs

There are two types of CRTs:

- the charitable remainder annuity trust
- the charitable remainder unitrust

The major difference is the manner in which the income payments are determined.

For the **charitable remainder annuity trust**, the annual payout is a set amount or a fixed percentage based on the fair market value of the asset at the time of the initial contribution to the trust. It will never change.

With the **charitable remainder unitrust**, the payout is a fixed percentage of the fair market value of the assets in trust as *revalued annually*. Payments may vary from year to year, based on the value of the trust's assets at that given time. Additional contributions may be made to charitable remainder unitrusts at any time.

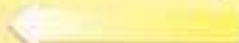
Charitable Remainder Annuity Trust



1. Gift of assets



2. Fixed income, 5 percent or more of trust when established



3. At death, remainder payable to Watch Tower



Advantages

- Annual income
 - Immediate income tax deduction
 - No capital gains tax
- ### Disadvantage
- The trust is irrevocable

Charitable Remainder Unitrust



1. Gift of assets



2. Varied income,
5 percent or more
of trust as valued
each year



3. At death,
remainder
payable to
Watch Tower



Advantages

Annual income

Immediate income tax deduction

No capital gains tax

Disadvantage

The trust is irrevocable

The CRT is unique in its ability to sell low-yielding, highly appreciated assets free from the erosion of capital gains or ordinary income tax and then provide the donor with an income stream. If you were to sell those assets yourself or give those assets to family members and they were to sell them, there would be a capital gains tax to pay. See the example on page 17.

Asset conversion is the most visible financial advantage of using a CRT. It is also an excellent vehicle for

- retirement planning and asset management
- asset diversification and risk reduction
- wealth accumulation planning
- gift and estate planning

For further details, please contact the Charitable Planning Office.

Other Planned Gift Arrangements

Bank Accounts and Other Assets in Trust for the Society

Frequently, people have money that they would like the Society to have when they die, but they want to retain access to it for personal needs that might arise while they are still alive.

This can be accomplished by putting these funds into financial institutions, having the accounts in their own names, but stating that such assets are "*in trust for the Watch Tower Bible and Tract Society of Pennsylvania.*"

This arrangement is legally referred to as a "Totten trust" and can be made in some states and with some banks, but regulations vary. Before initiating such an arrangement, you should discuss it with an officer of the financial institution holding your account to be sure that this is feasible.

All interest or dividends during your lifetime will be yours, and you will have complete ownership and control of the account while you are alive. Following your death, any funds left in the account will pass directly to the Society. The advantage of this is that it prevents the delays and uncertainties typical of probate.

In most states, you may make similar arrangements regarding stocks, bonds, mutual funds, certificates of deposit, and other titled investments or accounts.

Some states allow you to designate a beneficiary for such assets in much the same way as you would for a life insurance policy. These designations are often referred to as "pay on death" directions or "transfer on death" directions.

If you make such an arrangement, please follow the directions on page 30.

None of these arrangements produce a charitable deduction for income tax purposes because there is no current gift to the Society. Also, during your lifetime you

Totten trust:

A device used to pass property in a bank account, after a depositor's death, to a designated person through the vehicle of a trust rather than through the process of probate.

Mutual fund:

A regulated company holding a portfolio of stocks, bonds, or other securities and managed by professional investment.

remain the owner of the account or asset and may do with it as you please.

When the account or asset transfers to the Society at your death, that gift is then deductible for estate and inheritance tax purposes.

Gift of a Remainder Interest in a Personal Residence or Farm

You may transfer ownership of your home or farm to the Society though you and your spouse continue to use it for the rest of your lives, just as if you had not donated it. However, the Society will take full title after you both die. Such an arrangement is generally known as a retained life tenancy, or a life estate.

This arrangement allows you to claim an income tax charitable deduction based upon your age and the fair market value of the property. This arrangement also prevents the delays and expense of probate. The example below shows how.

It is important to contact the Society before you take this step. Please follow directions on page 30.



Example: *Instead of leaving her house (having an appraised value of \$247,000) to the Society in her will, Marie, aged 75, decides to deed it now and retain a life estate in her home for herself. After having the property appraised, she and the Society sign a simple agreement that she may live in the house for the rest of her life and be responsible for taxes, maintenance, and insurance.*

Because of Marie's age, IRS regulations entitle her to an income tax charitable deduction that is 43 percent of the appraised value of her home, which amounts to a deduction of \$106,214. If she is unable to use the entire deduction in the year of the gift, she has five additional years to do so. At her death, the Society receives full title to the house.

Estate tax:

A tax based upon the value of property and interests in property transferred as a result of death.

Gifts From Retirement Plans

Retirement savings plans often represent the major portion of one's assets. Typically, that account will provide a husband and a wife with a cash flow for as long as they both live. At death, however, such qualified plans not only are subject to estate tax but also give rise to an income tax to the estate or ultimate beneficiary. These double taxes can consume the greater part of the account, leaving little for the intended beneficiaries.

Distributions from retirement plan accounts to the Society avoid this double tax. For this reason retirement accounts are usually the best asset to use to make charitable gifts at death.

Naming the Society as beneficiary may affect the annual amount of required distributions to you from your plan. Consult with your professional advisor and the Charitable Planning Office when considering such a gift.

Planned Gifts Through Wills

Wills and Their Preparation

A will is a legal document that gives instructions regarding how you wish to pass your property on to your survivors after death. It names one or more beneficiaries who will benefit from your estate. In the absence of a valid will, the laws of your state—rather than you—determine who receives what. That determination may not be in harmony with your plans or the needs of individuals and institutions that are dear to you.

A will directs the distribution of assets that are titled in your name alone or in which you have a divisible interest. Even if you have arranged for the distribution of your assets by titling (joint ownership), by beneficiary designation (“in trust for” or “pay on death”), or by a living trust, it is wise to have a will. In it you can express what your wishes would be should a joint owner or named beneficiary die before you do, or should you fail to arrange for the distribution of a certain asset by title, trust, or beneficiary designation.

A will is also a means by which you can name a guardian if you have minor children.

Because of the complexities associated with the preparation of a will, *it is imperative that you seek professional advice* when taking this step.

Prior to doing so, determine who you want named as the executor. This should be a person or institution you can trust to wind up your affairs, collect assets, pay legal debts and taxes, and carry out the instructions in your will explicitly. The Society should not be named as executor.

Your attorney should be well equipped to guide you in the execution and witnessing of your will.

Guardian:

One who has legal responsibility for the care of another.

Executor:

The person appointed in a will to carry out its provisions.

Key Points to Remember When Completing Your Will With the Society as Beneficiary

- *Keep the original of your will in a safe place. If your will makes the Society a beneficiary, please notify the Society and the executor where you will keep it, and send a copy to the Society.*
 - *Even though the Society has a copy, you may revoke or amend your will at any time.*
 - *Please notify the Society of any change to your will.*
 - *You may also want to file with the Society and your attorney a list of the names, addresses, and telephone numbers of your relatives and, in particular, your executor. A general list of your property and its location would also be helpful. This will save time and expense that otherwise would have to be borne by your estate.*
- If you have any questions, you or your attorney can contact the Charitable Planning Office at the number listed on page 31.*

A Simple Bequest to the Worldwide Work

If you wish to include the Society as a beneficiary in your will, the most useful bequest is an *unrestricted bequest* for the general purposes of the Society. The following language is suggested:

I give [sum of — dollars, all of the residue of my estate, or — percent of the residue of my estate] to the WATCH TOWER BIBLE AND TRACT SOCIETY OF PENNSYLVANIA, a nonprofit organization, with office and principal place of business at 25 Columbia Heights, Brooklyn, NY 11201-2483, U.S.A.

Normally, gifts made to the Society through a will are deductible for estate and inheritance tax purposes, usually with no limitations as to the amounts or property that may be given. However, it would be wise to discuss these matters with your attorney. You should be sure that these things can be done under the laws of the state in which you live.

Planned Gifts Through Revocable Living Trusts

Introduction to Revocable Living Trusts

A revocable living trust, like a will, is a legal document that enables you to pass property to one or more beneficiaries at your death. In this arrangement, however, you transfer ownership of property in trust to a trustee, who will ensure that the terms of the trust are executed correctly.

In most states, but not all, you may name *yourself* as both beneficiary and trustee of a living trust. If you do, you should name a successor trustee who will take over and manage the trust property should you become incapacitated. If you die, the successor trustee will also distribute the income and principal according to your instructions.

Who Would This Best Suit?

This arrangement is appropriate for those who wish to maintain control over their property or who may require access to the property, should the need arise, perhaps in providing for the financial needs of loved ones.

Since assets that were transferred into the living trust during your lifetime are legally owned by the trust, they are not subject to probate and pass to your beneficiaries with a minimum of time and expense.

Because you can amend or revoke a living trust at any time before your death, you do not receive an income tax deduction. However, funds donated to the Society from the trust are deductible for estate tax purposes.

Whether a revocable living trust is appropriate for you will depend upon a number of things, including:

- the property that you own
- your health and family situation
- the availability of a successor trustee
- the time and expense of probate in your state

Trustee:

One who is responsible for managing the property in a trust.

Probate:

The system whereby a court assumes authority over the assets of the estate of a deceased individual and determines the validity of a will if there is one. It appoints a legal representative, such as an executor, to manage the affairs under the jurisdiction of the court.

Bequests to the Society

A living trust contains directions on what to do with the trust assets at your death. If you wish to benefit the Society using this arrangement, the following language is suggested:

The trustee shall distribute [the sum of _ dollars, all of the residue of the trust estate, or _ percent of the residue of the trust estate] to the WATCH TOWER BIBLE AND TRACT SOCIETY OF PENNSYLVANIA, a nonprofit organization, with office and principal place of business at 25 Columbia Heights, Brooklyn, NY 11201-2483, U.S.A.

If you name the Society as beneficiary in the trust, please follow the directions on page 31.

All trust agreements are complex legal documents. If you are considering the use of a revocable living trust, you should discuss the matter with a qualified attorney. Since it is a document created for you, make sure that the attorney preparing it is very familiar with your wishes, your family, and your property.

Gifts of Life Insurance

Naming the Society as Beneficiary

You may name the Society as sole or partial beneficiary of a life insurance policy. Proceeds payable to the Society at death may be deducted from estate and inheritance taxes. See the example below.



***Example:** Howard owns a \$250,000 life insurance policy. He purchased the policy when his children were infants. Now that they are older, he signs a change of beneficiary form furnished by his insurance company to provide that \$50,000 in proceeds will be paid to the Society upon his death. The remaining \$200,000 is to be paid to his children in equal shares. The full amount of his life insurance is included in his gross estate for tax purposes. However, \$50,000 is fully deductible as a charitable deduction from estate and inheritance taxes.*

If you desire to name the Society as beneficiary, you must direct your agent or the insurance company to designate the new beneficiary as:

Watch Tower Bible and Tract Society of Pennsylvania.

Many of the benefits obtained by using life insurance policies to provide bequests to the Society may also be achieved by the use of an annuity policy provided by insurance companies. When naming the Society as beneficiary in either case, please inform the Society.

Naming the Society as Owner

If you desire more immediate tax benefits, you may make a gift of your life insurance policy to the Society. With an irrevocable assignment of your policy to the Society, you are entitled to an immediate income tax deduction for the lesser of the policy's fair market value or the net premiums paid. Income tax deductions for contributions to pay subsequent premiums are also allowed, as the example on the following page shows.

Example: Jim has owned a \$50,000 whole life policy for many years. His children are now grown, and his financial situation has eliminated the need for the policy. It has a fair market value of \$20,000, and the net premiums paid equal \$21,000.



Jim assigns the policy to the Society. He receives a charitable income tax deduction of \$20,000, which in his 31-percent tax bracket, brings an immediate tax savings of \$6,200. The Society can cancel the policy and receive its cash value, or Jim can make contributions for subsequent premiums, which are deductible gifts.

Replacing Donated Property With Life Insurance

One of the best uses of life insurance in charitable planning is its use in replacing the value of an asset that has been given to charity. Tax savings from your gift may be used to purchase an insurance policy on your life. At your death, your family receives the insurance proceeds, thereby replacing what was earlier donated.

Selecting Your Charitable Planning Option

Use the following information to select which arrangement is best for you.

Gifts That Will Benefit the Society Now

<i>IF you wish to make a gift of...</i>	<i>AND...</i>	<i>THEN please...</i>
<i>Money</i>	<i>It is unconditional</i>	<i>Send your gift to the Office of the Secretary and Treasurer, enclosing a brief letter stating that it is an outright gift. The Society will acknowledge your gift in writing.</i>
<i>Money</i>	<i>It is conditional (you may need the money returned)</i>	<i>Send your gift to the Office of the Secretary and Treasurer, enclosing a brief letter stating that the gift is conditional. The Society will reply in writing regarding the terms of agreement.</i>
<i>Securities</i>	<i>They are stocks and/or bonds that have appreciated in value</i>	<i>Write to the Office of the Secretary and Treasurer, and include a description of the securities. The Society will reply in writing regarding how best to make the transfer.</i>
<i>Real estate</i>	<i>You wish to know if such a gift can be transferred to the Society</i>	<i>Contact the Charitable Planning Office, describing the property and its estimated market value if known. Note: Please do not deed real estate to the Society until after you have consulted with the Charitable Planning Office. We will advise you in writing.</i>
<i>Other personal property</i>	<i>The gift is in the form of jewelry, stamp or coin collections, or the like</i>	<i>Contact the Office of the Secretary and Treasurer before you send the gift, describing the property and its estimated value if known. The Society will inform you as to its acceptability and advise you how best to proceed.</i>
<i>Assets</i>	<i>You are considering a charitable lead trust</i>	<i>Contact the Charitable Planning Office for further information. We will advise you how best to proceed.</i>

Gifts That Will Benefit the Society Later

Planned Gifts That Will Produce an Income for You

<i>If you wish to make a gift of . . .</i>	<i>AND . . .</i>	<i>THEN . . .</i>
Money or marketable securities	You desire a fixed income each year	A gift annuity may be appropriate. Contact the Charitable Planning Office for more information. Remember: A gift annuity is irrevocable.
Money or marketable securities	You desire the income to be deferred until a later time	A deferred gift annuity may be appropriate. Contact the Charitable Planning Office for more information.
Assets	They are low-yielding, highly appreciated	A charitable remainder trust may be appropriate. Contact the Charitable Planning Office for more information.

Other Planned Gift Arrangements

<i>If you wish to make a gift of . . .</i>	<i>AND . . .</i>	<i>THEN please . . .</i>
A bank account or other assets in trust	You have already confirmed that it is possible with your financial institution	Write to the Charitable Planning Office, stating that the account has been set up. Indicate its title, name and address of the institution where the account is held, and account number. Make sure that your Social Security number appears on the account.
The remainder interest in your home or farm	You wish to continue to reside there during your lifetime	Contact the Charitable Planning Office before you take this step. We will provide information as to how this may be arranged.
A retirement plan	You have already named the Society as a beneficiary	Write to the Charitable Planning Office, and provide details about this arrangement, including a copy of the beneficiary designation form. We will reply in writing.

Planned Gifts Through Wills and Revocable Living Trusts

If you wish to name the Society in a...

THEN please...

Will

Seek professional advice to prepare the will. A copy should be sent to the Society.

Trust

Seek professional advice to prepare the trust. A copy should be sent to the Society.

Gifts of Life Insurance

If you wish to make a gift of...

AND...

THEN please...

Life insurance

You have already named the Society as a beneficiary

Write to the Charitable Planning Office, and include a copy of the beneficiary designation form. Provide the name of the insurance company and the policy number. We will reply in writing.

Office of the Secretary and Treasurer

*Watch Tower Bible and Tract Society of Pennsylvania
25 Columbia Heights
Brooklyn, NY 11201-2483, U.S.A.
Telephone: (718) 560-5000
Fax: (718) 560-7446*

Charitable Planning Office

*Watch Tower Bible and Tract Society of Pennsylvania
100 Watchtower Drive
Patterson, NY 12563-9204, U.S.A.
Telephone: (845) 306-0707
Fax: (845) 306-0709*

How to Obtain Answers and More Information

We understand that questions may remain, and we welcome your telephone calls and letters. We would be pleased to work with your advisors to help you attain your objectives regarding charitable gifts and estate planning. May Jehovah bless your support of the Kingdom service being carried out worldwide to his praise. For details on how best to contact us, please see page 31.