Life Insurance

Help Secure the Future of Our Mission

The Ronald McDonald House of Ann Arbor provides a "home away from home" for families of children experiencing a serious illness or injury, requiring hospitalization or treatment on an outpatient basis.

Ronald McDonald House
OF ANN ARBOR

www.rmh-annarbor.org
734-994-4442

6/10/05-1000

Leave a Legacy to the Ronald McDonald House of Ann Arbor With

Life Insurance

Life insurance makes it possible for virtually everyone to make a meaningful gift. You may own policies that are no longer needed for their original purpose; these make excellent gifts. You may either designate Ronald McDonald House as the beneficiary of the policy or you may gift the policy to Ronald McDonald House during your lifetime.

This information is not intended as legal, tax or investment advice. For such advice, please consult an attorney, tax professional or investment professional.

Remainder Interest in Residence

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Remainder Interest in Residence

You may be interested in transferring your home to Ronald McDonald House, reserving the right to live in your home for the rest of your life. Such a gift provides an immediate income tax deduction for you, even though you continue to live in your home.

For the person in the right set of circumstances, a gift of a remainder interest in residence can make one a philanthropist without a noticeable change in life style. To understand this gift method it is helpful to think of a residence as being composed of two elements:

1. The present interest which is the right to live in and enjoy the residence now.
   For example, assume your principal residence has appreciated substantially and is now worth $500,000. If you give the residence to Ronald McDonald House, you retain the right to live in the residence for the balance of your lifetime.

2. The future interest which is right of ownership at some later date. This is sometimes called the remainder interest.

This gift technique involves giving the future interest, while retaining the present interest for your lifetime. Because this is an irrevocable gift to a qualified nonprofit institution, the IRS allows the donor certain tax benefits.

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Charitable Remainder Trust

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Charitable Remainder Trust

A Charitable Remainder Trust (CRT) permits you to retain the right to a specified percentage of income for a set number of years or for your lifetime with Ronald McDonald House receiving the principal upon the expiration of that time. Many donors transfer appreciated property (stocks or real estate) prior to sale to defer or avoid capital gains tax.

A CRT qualifies for an income tax deduction, permits a deferral of capital gains tax, and reduces your federal estate taxes.

For example, suppose you owned highly appreciated stock or a second home, either of which you had purchased for $100,000 but which you could sell for $500,000. Before investing the proceeds from the sale, those proceeds would be reduced by your payment of capital gains taxes. If the property were transferred to a CRT prior to sale, you would be able to invest all of the proceeds without the payment of the capital gains tax.

You may serve as trustee of the CRT and the beneficiaries of the income from the CRT may be you and/or another person. A CRT is a very attractive trust with which to protect yourself financially and to benefit Ronald McDonald House upon the expiration of the CRT.

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Charitable Lead Trust

A Charitable Lead Trust (CLT) enables Ronald McDonald House to receive the income from your gift for a term of years as specified by you. Upon the expiration of that term of years, the assets would be distributed as you have specified. The assets may return to you or to your beneficiaries. Ronald McDonald House would spend the income to benefit families of sick children for some period of time. Upon the end of that term of years, the principal could be distributed to your beneficiaries. Since the gift is deferred, you use less of your exemption from federal estate taxes to make the gift. All of the growth in the principal during the years Ronald McDonald House benefited from the income is excluded from your estate.

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Gift via Will

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Gift via Will

A simple and generous gift is a gift via your will or trust. You may specify an amount or a percentage of your estate:

For example:
"I give $25,000 to Ronald McDonald House."
or
"I give 10% of my estate to Ronald McDonald House."

Either gift qualifies for the charitable exemption and reduces your estate for purposes of federal estate taxes. Since federal estate taxes are almost 50%, half of whatever gift you give is made by the IRS.

You may request that if named beneficiaries predecease you, the predeceased beneficiary's share be given to Ronald McDonald House:

"If any of the above named beneficiaries predeceases me, then I give to Ronald McDonald House all of the assets that any of those beneficiaries would have received if he or she had survived me."

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IRAs, TIAA/CREF, and All Retirement Plans

Due to careful saving, strong equity markets, and frugal spending, you may find that your retirement accounts (IRAs, TIAA/CREF, profit sharing, and pension plans) are larger than you ever dreamed. Often, despite the annual mandatory distributions, you may find that your retirement accounts continue to grow.

At your death, your retirement accounts may be subject to both federal estate taxes and federal income taxes. A substantial gift to Ronald McDonald House would allow you to avoid those two taxes.

For example, suppose your retirement account is worth $100,000 as of your date of death and that your estate is subject to federal estate taxes. Assume that federal estate taxes are at least 45% or more. Of the $100,000, $45,000 would be paid in federal estate taxes. Federal income taxes would also be due. Assuming a tax bracket of 35%, those would be $35,000. So if your retirement account were given to your beneficiary, your beneficiary would "net" $20,000. If Ronald McDonald House is designated as the beneficiary of your retirement account, Ronald McDonald House would receive $100,000.

The rules and regulations for retirement accounts are complex and the assistance of qualified and experienced advisors is essential. Please remember that the beneficiary designation form, not your will or trust provision, controls the distribution of any retirement account.

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