



Charitable Planning Guide

Utilizing **ANNUITIES**



Annuities

What to Look for - Client Qualifiers

Many of your clients already own fixed annuities. Some of these might be good candidates to consider when funding a charitable income program. As with any retirement or estate planning that you provide for your clients, suitability determination is of utmost importance. To help you identify some initial suitability indicators, you could review...

Which of your clients...

- ✓ Owns a non-qualified annuity?
- ✓ Has sufficient current income from other sources - and mostly likely will not want or need income from their annuity?
- ✓ May plan to pass their annuity to their heirs?
- ✓ Might be interested in a structured/systematic payout for heirs for a portion of their estate?
- ✓ Would like to minimize the tax consequences today and potentially maximize the after-tax situation for their heirs?
- ✓ Has charitable inclinations? (Note that research says that 85% of your clients are ALREADY giving to charity!)
- ✓ Has other liquid assets available for emergencies & long term care?
- ✓ May be facing unwanted or forced annuitization due to age?



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How to Introduce & Present a Charitable Legacy Plan

Following are some ideas about how to present a charitable program to potential clients who own existing annuities. Remember this is a charitable program; not an investment or insurance.

Pre-qualifying Questions to Begin the Conversation

- Q - What are your plans regarding this annuity? Are you planning on passing this annuity to your heirs?
- Q - Is it likely at this point that you will utilize this annuity for income?
- Q - Would you prefer for your heirs to receive everything in a lump sum, or would you like to see them receive a portion of your estate as a structured inheritance?
- Q - Would it concern you if your heirs were going to owe income taxes when they inherit your annuity?

Presentation Ideas

- When you purchased this annuity your goal was to grow your monies and control your taxes. Right? Well, political and economical times have changed. It appears that taxes are only going higher. Did you know that when you pass this annuity to your heirs they are going to pay taxes on all of the gains (or growth), probably at a higher tax rate?
- If I could show you a strategy that is traditionally used by the wealthy to effectively manage potentially problematic assets, would that be something of interest? This strategy takes advantage of the tax code that allows an individual to transfer an asset to a 501c3 charitable organization.
- We would create an immediate income tax deduction that you can use to reduce your taxable income by up to 50% this year. Any portion of the deduction this is not used in the 1st year can be used for the next 5 years or until it is all used. Doesn't it make sense to address this taxable liability now rather than when tax rates could, more than likely be higher in the future?
- We also can create a structured inheritance without having to set up a trust AND you can support charitable work that you believe in.
- I work with an organization that can help implement this strategy for you and give you or your heirs an insured tax-favored income that you can turn on now or later for yourselves or you can pass it on to your heirs.
- Why don't we gather some information and then I'll go do my homework and we'll see if this makes sense or not? Do you have your most recent annuity statement?



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Frequently Asked Questions

Q. I'm concerned about "giving my money away" to a charity?

A. Actually, you are not "giving your money away." Rather you are simply using your annuity to fund an income plan, through a charity, that is similar to a charitable remainder trust. The charity has a contractual obligation to make payments to you and/or your family for a set number of years. Additionally, a portion of the plan IS considered a charitable gift, and this entitles you to a tax deduction that can be used to reduce the amount of income taxes you may owe.

Q. What if I want money to go a charity other than LegacyTree Foundation?

A. LTF allows for you to recommend your favorite church, charity or non-profit to share a portion of the charitable component as a grant from your LTF LegacyPlan transaction. The amount can vary according to how much income you want to come back to your family, and how much you want to go to your charity. Your recommended charity would receive a grant immediately when the transaction is completed.

Q. How will I know my money is safe and will be there for my family?

A. LTF's reserve method is to place the necessary funds needed to secure their obligation to you, into a fixed annuity issued by a large and highly rated insurance company. This means LTF does not want to take any chances on the volatility of stock, bond, mutual fund or real estate markets. LTF implements this reserve method for every LegacyPlan contract they complete.

Q. How established is LegacyTree Foundation?

A. LTF was founded in 1999, received their tax-exempt status from the IRS in 2000, and began offering charitable income programs in 2009. Over 300 of these programs have been structured for families around the United States, and each one has been backed by the same reserve method discussed above. LTF has made over 400 charitable distributions to various churches, charities, non-profits and educational institutions since 2009 totaling over \$3.1 million. Their total assets have grown to over \$30 million at the end of 2013. They are properly registered in every state in which their programs are available.

Q. What kind of charitable work does LegacyTree Foundation support?

A. LTF's mission statement is to provide spiritual, physical and humanitarian aid to those in need, which allows us to direct grants to a wide variety of churches, charities, and educational institutions as



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recommended by those completing their charitable plans. In addition, LTF is closely aligned with a number of "charitable impact partners" whose charitable work is supported on an ongoing basis. Charitable work supported by LTF includes feeding the poor in rural America, helping rescue and restore young women in crisis situations, support for an orphanage and school in Haiti, as well as several prison ministry/outreach programs. More information about the charitable work supported by LTF can be viewed in a 14 minute video on their website www.legacytreefoundation.org. You can also request a copy of this video.

Q. What if I set this up for my heirs and then find out I need or want income myself?

- A. LTF's Charitable LegacyPlans allow for you to retain control of who you'd like the initial income recipients to be while you are alive. If at any point while the contract is in deferral, you decide that you need income yourself due to unforeseen circumstances, you can request an earlier income start date. Upon your passing away, your named beneficiaries will then receive the remaining LegacyPlan payment proceeds as you requested. Additionally, if you elect to change beneficiaries while your contract is in deferral, you can do that as well.

Q. How is the income taxed once payments begin?

- A. The income is "tax-advantaged," meaning that a portion of each payment is tax-free and a portion is taxable as regular income. Over the term of the payout, a greater portion is tax-free every year. The effect is like getting a small cost-of-living increase every year. LTF sends you or your beneficiary income recipients a 1099 tax reporting statement every year that will show you how much of your income was taxable for that year.

Q. What if I change my mind and want to "cash out" of my plan in a year or so?

- A. Charitable income plans are irrevocable, for several good reasons. First, because you are entitled to tax benefits, any change in the plan could subject you to tax penalties. Secondly, because of the manner in which LTF reserves their future payment obligations to you and your family in fixed commercial annuities, the contract cannot simply be "unwound" without substantial repercussions. And last but not least, when your contract is established, LTF distributes money to support charitable work that cannot be recouped. That's why it's important that we proceed carefully and talk through your goals and financial circumstances to make sure that the size and structure of your charitable income plan meets your family's needs.

Additional Considerations

This presentation is solely for educational purposes and to inform how an individual may complete a planned giving transaction with a public charitable foundation as outlined in the IRS code. LegacyTree Foundation (LTF) is a 501(c)(3) non-profit organization established in 1999 and is not an insurance company, broker dealer, or financial institution. LTF does not provide tax, legal or financial advice. Individuals should seek tax, legal or financial advice from an independent, professional advisor(s) for each specific situation. LTF LegacyPlans are charitable planned giving transactions as outlined in the IRS code and are not investments and should not be represented as investments. This is not to be construed as providing securities advice and is not an offer or solicitation to buy, sell, or trade securities or any other marketable asset. Not all LTF LegacyPlans are available in all states. Please verify that these programs are available in your state before proceeding.