



# FRIENDS OF THE ARMY

ESTATE AND FINANCIAL PLANNING IDEAS

## My Sister Sue's Antique Will

"When my sister Sue died last December, I was named to serve as her executor, under a will she probably hadn't looked at since she signed it – in 1981," Margaret confided.

"Sue was an intelligent woman, but I'm sure updating her estate plan was pretty far down on her to-do list," she continued. "That old will just didn't work:

■ "Her two children were to come live with their Aunt Margaret (today they are both in their 40s and have kids of their own);

■ "Sue left something to our brother, Ted, but he died in 1992, and the money passed to his daughter, who Sue was never close to;

■ "Sue changed churches 20 years ago, but the old church was still in her will."

"But that wasn't the end of the confusion," Margaret added. "Sue outlived two husbands, and we didn't know whether she wanted to be buried next to husband No. 1 or No. 2.

"Later in life Sue also became a donor and volunteer with The Salvation Army, collecting



canned goods and serving meals to homeless during the holidays. I believe if she had updated her will before she died, the Army would be in it," Margaret concluded.

Is your own estate plan up to date? You can answer that question using the estate planning checklist inside. You also can send for our newly revised booklet, *Planning Your Bequests*, by returning the attached card.

As always, our experienced planned giving staff would be pleased to sit down with you to review current estate plans and help prepare you to meet with your professional advisers.



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## Checklist for an Up-to-Date Estate Plan

Is it time to revise your will and other estate documents? If any of the following statements are true in your case, give our office a call. We can provide you with helpful estate planning ideas and information and get you fully prepared to sit down with your professional advisers.

	True	False
1. I do not currently have a valid will and/or revocable living trust.	<input type="checkbox"/>	<input type="checkbox"/>
2. I have left securities, real estate or a retirement account to beneficiaries who now may be adversely affected by the downturn in investment values.	<input type="checkbox"/>	<input type="checkbox"/>
3. One or more of the beneficiaries named in my estate plan has passed away.	<input type="checkbox"/>	<input type="checkbox"/>
4. My marital status has changed since I last made my will or living trust.	<input type="checkbox"/>	<input type="checkbox"/>
5. My net worth has grown to more than \$3.5 million (the current exemption from the federal estate tax).	<input type="checkbox"/>	<input type="checkbox"/>
6. I don't know if there will be state "death taxes" in the states where I own property.	<input type="checkbox"/>	<input type="checkbox"/>
7. The person named as my executor has moved out of state or won't be able to serve, due to death or disability.	<input type="checkbox"/>	<input type="checkbox"/>
8. I now need to consider a trust or guardianship for a family member with special needs.	<input type="checkbox"/>	<input type="checkbox"/>
9. There have been births, marriages or divorces that affect my estate plans.	<input type="checkbox"/>	<input type="checkbox"/>
10. I now wish to include The Salvation Army as a beneficiary of my estate, or increase a previous bequest to the Army.	<input type="checkbox"/>	<input type="checkbox"/>

## Double Benefits from a Single Bequest

Many of our longtime contributors like the idea of continuing their support for The Salvation Army through their estate plans – and assisting family members or friends at the same time.

A simple example is the charitable gift annuity, which can be set up to assist a loved one while you're alive, or funded through your will, living trust or retirement plan. Your beneficiary receives a lifetime of payments, followed by important benefit for the work of



The Salvation Army.

Alternatively, you can fund a charitable remainder or lead trust during life or in your will and take advantage of a broad range of tax and financial strategies that will benefit both your family and the Army. Call us for details.

### Patrick's Tax-Wise Bond Bequest

Your bequest to the Army can provide income tax and/or “death tax” savings for your heirs or estate, in addition to providing lifetime income for a beneficiary.

Take the case of Patrick, who has been a patriotic saver all his life and is proud that he has accumulated \$230,000 of U.S. savings bonds. He plans to leave the bonds to his wife, Helen, when he dies to provide for her security, but was surprised to learn that Helen will have to pay substantial income taxes on every bond she cashes.

Patrick instead decides to leave the bonds to a tax exempt charitable remainder trust that he sets up in his will. The trustee can cash the bonds without owing income tax, reinvest the proceeds and pay Helen a good income for life. All trust assets will benefit The Salvation Army, but only after Helen's death.

We'd be pleased to discuss the many creative ideas available for assisting the Army through your estate plan. Just call our office, or return the attached card.



## Ease the Tax Bite, Help the Army, When Converting to a Roth IRA

Financial planners are advising many clients to convert from traditional IRAs to “Roth” IRAs, which permit tax-free withdrawals and don’t require minimum annual distributions.

Amounts converted to Roth IRAs will be treated as taxable income, but the tax bite may be smaller these days, thanks to the stock market downturn. The hope is that when account investments rebound in future years, Roth IRA owners and their heirs will enjoy significant benefits – all tax free.

Only persons with adjusted gross incomes under \$100,000 can switch to a Roth IRA, but starting in 2010 the \$100,000 limit goes away.

Friends of the Army who are contemplating a Roth IRA conversion might consider pairing that move with a tax-deductible gift that reduces or eliminates the “conversion tax.” Take the case of Linda, age 60, who plans to convert \$25,000 from her traditional IRA into a Roth IRA. She’ll be taxed on that \$25,000 unless she can somehow come up with additional itemized deductions.

Linda generously gives The Salvation Army \$5,000 every year, but because of her Roth IRA conversion, she decides to make five years’ worth of gifts (\$25,000) all at once, which wipes out the conversion tax.

Alternatively, Linda might decide to transfer \$65,000 from her money market account for a *deferred payment gift annuity* with The Salvation Army. The gift annuity would begin paying Linda \$5,590 (8.6%) at age 70, but she also receives an immediate income tax deduction of about \$25,000 that erases the Roth IRA conversion tax. After five years, all withdrawals from her Roth IRA will be tax exempt, and a portion of her future gift annuity payments will be tax free, as well. Her gift annuity can contain an option to start payments before age 70, at reduced levels.

As always, consult your advisers on important financial decisions such as Roth IRA conversions – and be sure to call our office for gift planning ideas and information.

For more information on any of the topics discussed in the newsletter, simply fill out and mail this reply card.

FIRST NAME \_\_\_\_\_

LAST NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_ ZIP \_\_\_\_\_

PHONE ( \_\_\_\_\_ ) \_\_\_\_\_

DATE OF BIRTH (OPTIONAL) \_\_\_\_\_

E-MAIL \_\_\_\_\_

**Thank You**

*(Detach, fold and tape before mailing.)*

▲ *Fold here*

I would like to receive a copy of your complimentary booklet, *Planning Your Bequests*.

I would like a gift annuity illustration based on a gift of \$\_\_\_\_\_ that would make payments to a person born \_\_\_\_/\_\_\_\_/\_\_\_\_ and (optional) a second person born \_\_\_\_/\_\_\_\_/\_\_\_\_.

I am considering a provision in my will for the future assistance of The Salvation Army.

I have already made provision in my estate plans for the Army, as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I would like to speak with one of your representatives.

*From Our Office of Planned Giving:*  
**Planning Your Bequests in Today's Economy**

Uncertainty in the financial world has focused most people's attention on savings, investments and retirement planning. But what about the economy's impact on your estate plan? It makes sense to have a thorough review of your plans before the end of 2009, with special attention to the following:

Investment assets you've left to certain beneficiaries may no longer be worth what they once were – or what you planned to leave. One strategy is to divide your estate into equal percentages, so everyone shares in gains or losses. You also might set ceilings or floors on inheritances, to guarantee that heirs receive at least a specified amount, but not a windfall.

You should revisit your beneficiary designations on life insurance, qualified retirement plans, IRAs and any accounts that will pass directly to someone at death. How do these designations fit into your overall

plan for the disposition of your assets? Have values changed significantly? Also, remember that heirs will owe income tax on most retirement plan benefits, while life insurance, CDs and brokerage accounts pass free of income tax.

As you review, and possibly revise, your estate plan, we hope you'll include The Salvation Army as a beneficiary of your will, living trust, life insurance or retirement plan. Your bequest will be a blessing to future generations of people in need and may save "death taxes," as well. We have an important free booklet, the recently updated *Planning Your Bequests*, that is available by sending back the attached card or calling our office.

*Please call our office for the appropriate wording whenever you are preparing a gift through your will, living trust, IRA or other beneficiary designation.*



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# Send for our free booklet, *Planning Your Bequests!*



Your Stamp Helps



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