

A REAL ESTATE GIFT STORY

GIVE YOUR HOUSE AND LIVE IN IT

During my Planned-Giving career I have had opportunity to work with many donors who wanted to make significant Legacy gifts to their favorite charities, but who didn't want to part with appreciated income-producing assets during their life time. In several cases the donors decided to make a current gift of their residence. There is a provision in the tax code allowing a donor to give their house now, get a sizable income tax deduction and still be able to live in their home for the rest of their life. In legal terms, this gift is called a Retained Life Estate.

Here is how it works: Home owners may deed a personal residence or farm to a qualified charity through a Retained Life-Estate Agreement. The deed indicates that the owners reserve the right to use the property the rest of their lives. At the death of the last life tenant, the property is available to the charity to sell or use some other way.

The Community Foundation for Carver County was established to assist donors in making estate gifts to support their favorite charities. The Foundation would accept the Life-Estate Agreement and at the end of the donor's lives, the property would be sold by the Foundation to establish a named-endowment account in memory of the donors. Each year the charities specified by the donors would receive a check for up to 5% of the fair market value of the endowment account. Earnings above 5% would be reinvested to help the account grow larger, enabling the Foundation to make larger gifts to the charities in the years ahead.

Before the property deed is conveyed to the Foundation, the property must be appraised to determine the fair market value. Then the life expectancy of all the life tenants is considered along with other factors to determine the present value of the remainder interest to the Foundation. This amount represents the charitable gift value of the arrangement and is the amount the donors may claim as an income-tax charitable deduction.

It is precisely the income-tax deduction feature that makes the Retained Life Estate Agreement so attractive. If the property were transferred through the will at death, no income-tax deduction would be allowed. But making the transfer during life (while retaining the right to use the property) creates the tax deduction, because the transfer is irrevocable. Also, removing the property from one's estate now may reduce estate taxes and probate costs later.

The life tenants would be expected to maintain insurance, pay property taxes, and care for typical maintenance and repair items.

This all may sound a little confusing, but it really is quite easy to accomplish. If you have been thinking about the Legacy you wish to leave, a Retained Life Estate Agreement may be one gift method you should explore.

The Foundation is offering a free **Guide to Gifts of Real Estate**. For your free no-obligation copy please call (952) 250-5138 or Email info@carvercountyfoundation.org.



I look forward to hearing from you.

Learn more about the Foundation at:
www.carvercountyfoundation.org

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