

**Steve Marken, Esq., C.S.P.G.,  
Vice President  
Foundation for Christian Stewardship**


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Prior to joining FCS, Steve served the past 4 ½ years as Director of Gift Planning at the Orange County Community Foundation. During his tenure, more than \$120 million in gifts were facilitated for charity while OCCF assets more than doubled from \$51 million in 2004 to over \$120 million today. It was further estimated an additional \$40 million in deferred gifts were identified and put into place for the benefit of local non-profit organizations.

Steve is a licensed attorney who practiced law for seven years with an established firm in Orange County. He then left the practice of law and went to work at the corporate offices of Pacific Life and ING Advisors as an advanced markets consultant, training and assisting some of the top financial advisors throughout the Country with the conceptualization and implementation of sophisticated financial and estate plans. Prior to entering into the community foundation field, Steve also helped to successfully establish and implement a planned giving program for a local hospital.

Steve earned his Bachelors degree from Arizona State University and his Juris Doctorate degree from Southwestern University School of Law in Los Angeles, California.

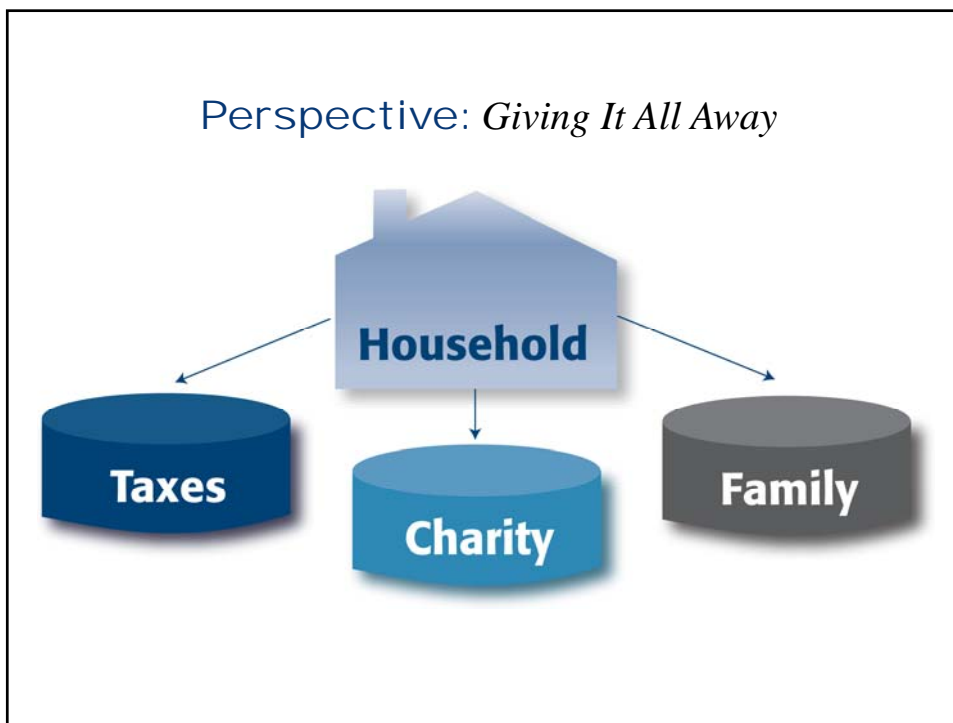
Steve is recognized by the American Institute of Philanthropic Studies as a Certified Specialist in Planned Giving and previously held NASD Series 7 (General Securities) and NASD Series 66 (Registered Investment Advisor) registrations. He is a board member of the Orange County Planned Giving Round Table and is actively involved in a number of professional associations including the Orange Coast Estate Planning Council; the Trust and Estate as well as the Elder Law sections of the Orange County Bar Association; the South Orange County Estate Planning Council; and the Financial Planning Association of Orange County. Steve and his family are also members of Grace Church in Laguna Niguel.



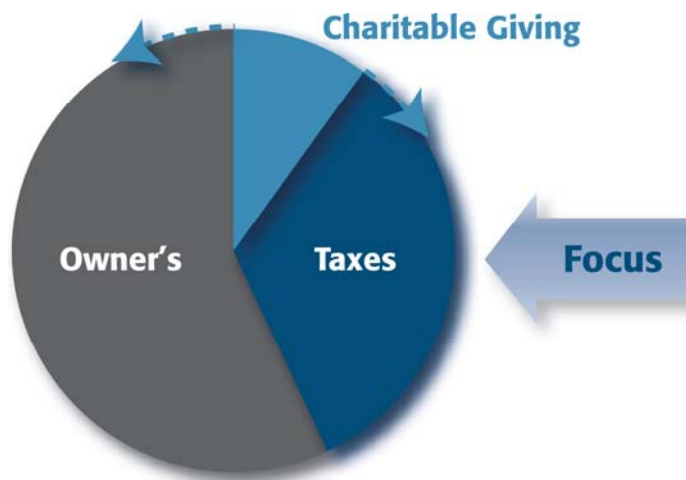
# PPPOC PRIMER

Presented by:  
**Steven S. Marken, Esq.**  
Vice President  
Foundation for Christian  
Stewardship

## Tax Benefits of Charitable Giving



## The Planned Giving Conversation



## Tax Benefits of Charitable Giving

Assuming a federal income tax bracket of 35% . . .

- 1) What is the donor's out of pocket cost for a **\$10,000 charitable gift of cash?**
- 2) What is the donor's out of pocket cost for a **\$10,000 charitable gift of stock which was purchased over one year ago for \$3,500?**

## Perspective:

What Assets Are Given?



What Assets Are Owned?



\*This percentage has been deduced from numbers in *Giving USA 2005* and IRS statistics.  
 \*\*See *Estate Tax Returns Filed in 2003: Gross Estate by Type of Property, Deductions, Taxable Estate, Estate Tax and Tax Credits, by Size of Gross Estate* (available at <http://www.irs.gov>).

## Perspective:

- People prefer Charity over taxes
- Government (taxes) is winning
- Your donors / clients need **HELP** to compete

## Program Agenda



- ❖ Overview of Tax Laws
- ❖ Assets and Tax Planning Opportunities
- ❖ Planned Giving Strategies and the Tax Results

## Tax Benefits of Planned Giving

General Overview of  
Tax Laws

### Income Tax

- Ordinary Income Tax Rate – Up to 35%
- Capital Gain Tax Rate – Up to 15%
- Dividends – Up to 15%
- CA State Income Tax – 9.55% (10.55% if income over \$1 million)

### Transfer Tax

- Gift Tax – Up to 45%
- Estate Tax - Up to 45%

| Tax Benefits of Planned Giving |                             | Transfer Tax Exclusion Amounts |
|--------------------------------|-----------------------------|--------------------------------|
| YEAR                           | ESTATE TAX EXCLUSION AMOUNT | GIFT TAX EXCLUSION AMOUNT      |
| 2008                           | \$2,000,000                 | \$1,000,000                    |
| 2009                           | \$3,500,000                 | \$1,000,000                    |
| 2010                           | Estate tax repealed         | \$1,000,000                    |
| 2011                           | \$1,000,000                 | \$1,000,000                    |

***The ideal inheritance is enough money so your heirs think they can do anything, but not enough that they can do nothing. -Warren Buffett***

## Tax Benefits of Planned Giving

Assets and Tax Planning Opportunities



- **Spot the Tax Issue = Opportunity!**
- **Prospect Checkpoints**
  - ✓ Estate Objectives
  - ✓ Discretionary Income
  - ✓ Maintain or Increase Income
  - ✓ Current Giving
- **Highlight the Tax Benefits**

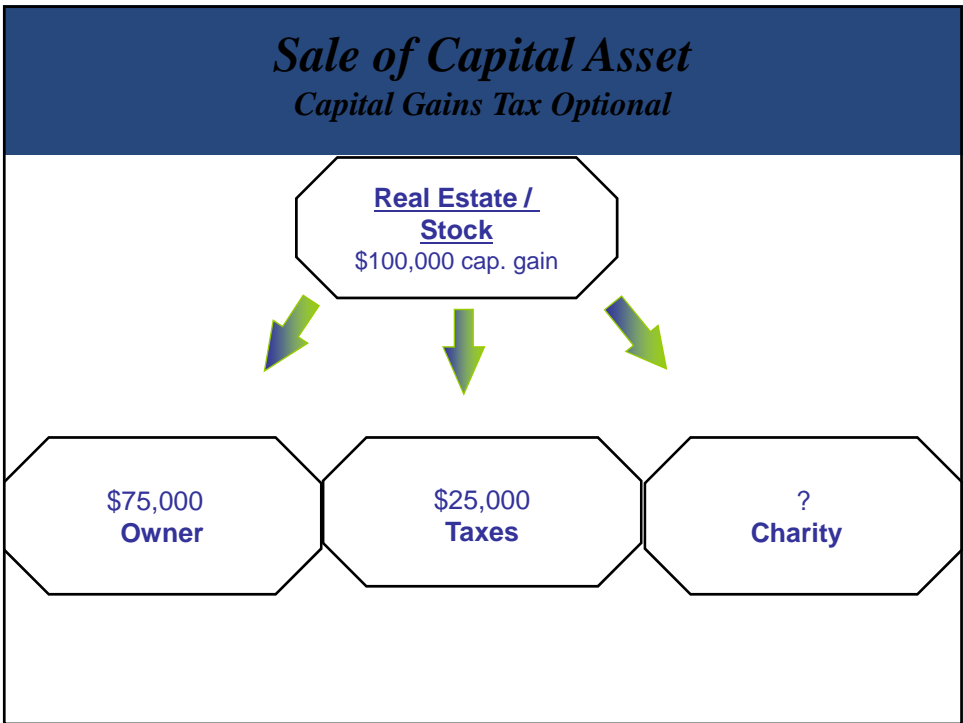
| Tax Benefits of Planned Giving                                |   | Assets and Tax Planning Opportunities  |
|---|---|--|
| ASSET TYPE  | INCOME  | WHAT HAPPENS UPON TRANSFER   |
| <b>Real Estate</b>  | <ul style="list-style-type: none"> <li>• <b>Rent</b> – Ordinary income</li> <li>• <b>Sale – Capital gain (appreciation)</b></li> </ul>                  | <b>Gift</b> – Retains original cost basis<br><b>Estate</b> - Step up in basis.                       |
| <b>Stocks / Mutual Funds</b>                                  | <b>Sale – Capital gain (appreciation)</b>   | <b>Gift</b> – Retains original cost basis<br><b>Estate</b> - Step up in basis                        |
| <b>Business</b>   | <ul style="list-style-type: none"> <li>• <b>Salary, bonuses, etc.</b> - Ordinary income</li> <li>• <b>Sale – Capital gain (appreciation)</b></li> </ul> | <b>Gift</b> – Retains original cost basis<br><b>Estate</b> - Step up in basis.                       |
| <b>Retirement Accounts</b><br>(IRAs, 403(b), Annuities, etc.) | • <b>Distributions</b> – Ordinary income  | <b>Gift</b> – <i>Income taxable to owner</i><br><b>Estate</b> – <i>Income taxable to beneficiary</i> |

## Tax Benefits of Planned Giving

Planned Giving  
Strategies and the Tax  
Results

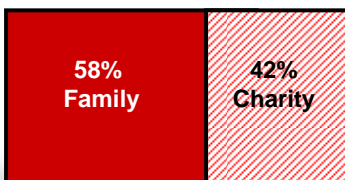


- **Sale of appreciated capital asset** (Real Property, Stock / Mutual Fund, Business)
- **No tax!**
- Capital asset value -- \$100,000
- Cost basis -- \$0
- Gain -- \$100,000
- Potential Tax -- \$25,000 (25%)



### Sale of Capital Asset – Zero Tax Gift and Sale

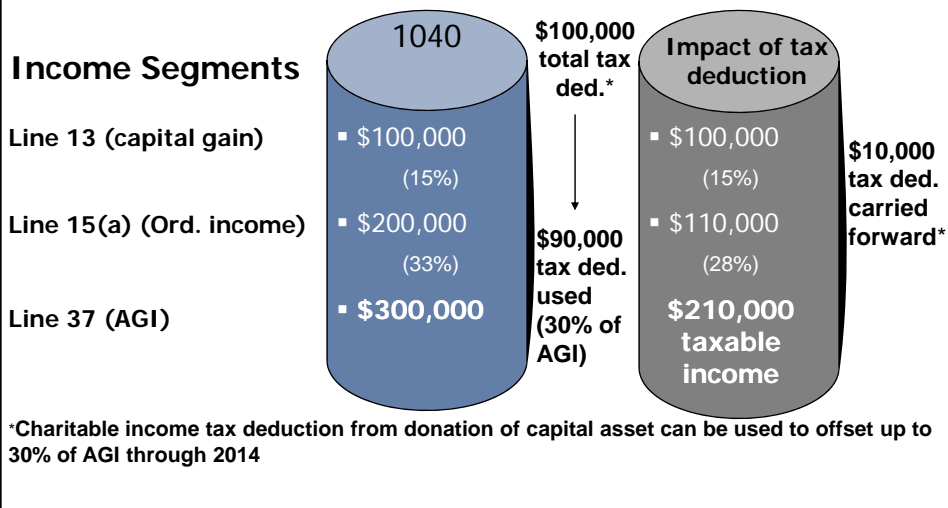
- **42% interest gift to Charity**
- \$100,000 - *Sale value*
- \$58,000 - *realized capital gain* (58% of total capital gain)
- **\$14,500 - potential tax** from realized capital gain (realized cap. gain x 25%)

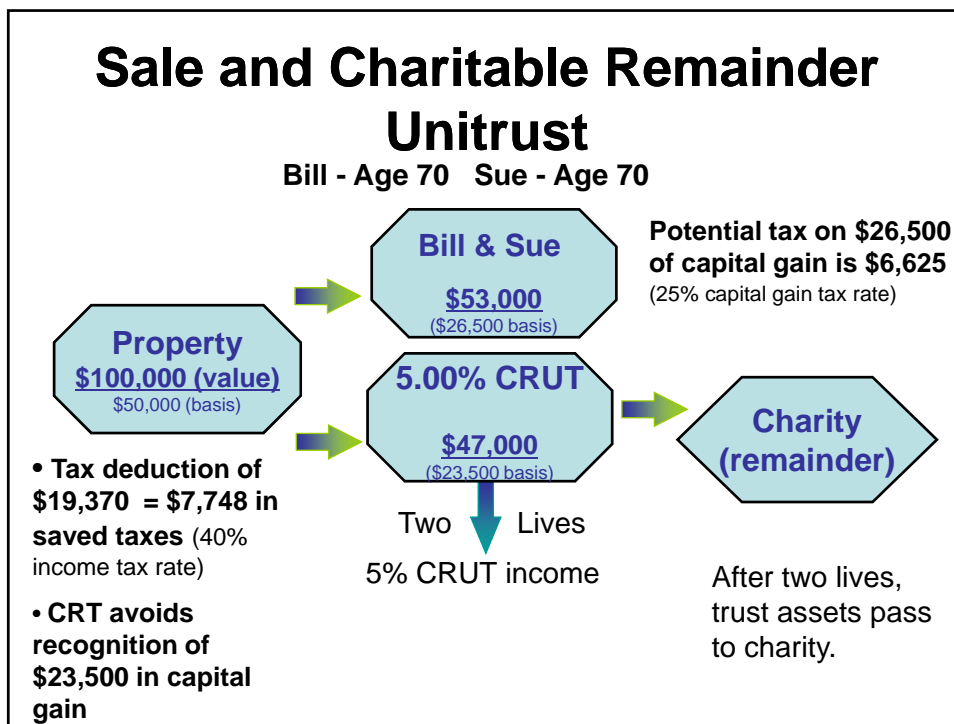


#### Benefits of 42% interest gift to charity

- Avoids recognition of \$42,000 in capital gain upon sale
- \$42,000 charitable income tax deduction received may **save \$14,700 in taxes**

## Impact of Tax Deduction





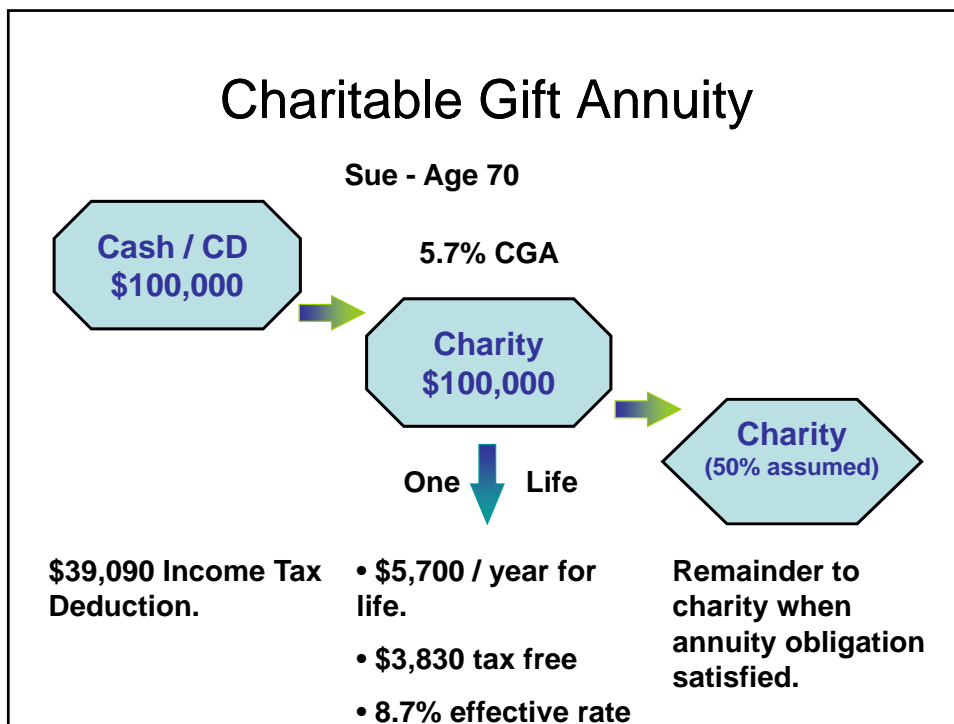
## Tax Benefits of Planned Giving

Tax Results

- **Net Cash to Donors \$53,000**
- **Tax Deduction \$19,370**
- **Lifetime CRUT Income**
- **Tax - \$0** (Compare to potential tax bill of \$12,500)

| <h2 style="margin: 0;">Tax Benefits of Planned Giving</h2>                        |   | <b>Tax Results</b> - Four Tier Accounting |
|---|---|---|
|  | <b>Principal</b>  | \$23,500                                  |
|   | <b>Tax Free Income</b>  | \$0                                       |
|   | <b>Capital Gain</b><br>Long term – 15%<br>Depreciation gain – 25%<br>Short term – 35% | \$23,500                                  |
|   | <b>Income</b><br>Dividend – 15%<br>Ordinary - 35%                                     | \$0                                       |

| <h3 style="margin: 0;"><i>Greatest Generation - Charitable Gift Annuity Rates</i></h3> |                  |                                 |
|--|------------------|---------------------------------|
| Donor's Age  | CURRENT CGA RATE | Certificate of Deposit (5 year) |
| <b>70</b>  | <b>5.7%</b>      | 2.9%                            |
| <b>75</b>  | <b>6.3%</b>      | 2.9%                            |
| <b>80</b>  | <b>7.1%</b>      | 2.9%                            |
| <b>85</b>  | <b>8.1%</b>      | 2.9%                            |
| <b>90</b>  | <b>9.5%</b>      | 2.9%                            |

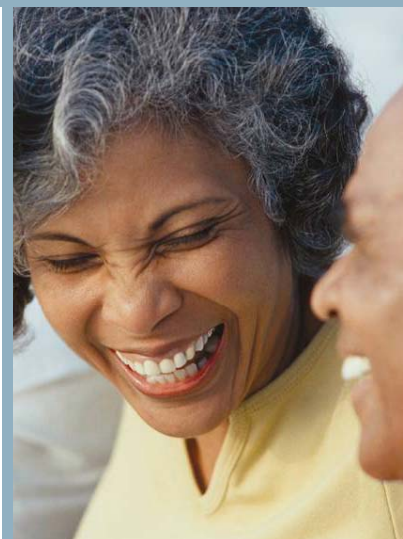


## Tax Benefits of Planned Giving

Charitable  
Gift Annuity

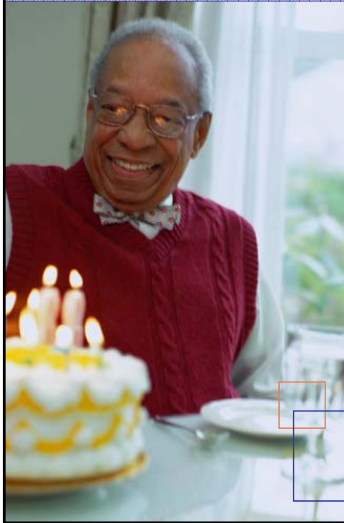
### Taxation of CGA Payments

- **Ordinary Income** - \$1,869.60
- **Capital Gain** - \$0
- **Tax Free** - \$3,830.40
- **Effective payout rate** – 8.7%  
(Assuming 33% ordinary income rate)




Tax Benefits of Planned Giving

# Retirement Assets



- **Problem:** Potential double tax upon death can take up to 80% of assets.
  - Income tax – 35%
  - Estate tax – 45%
  
- **Solution:** Leave to charity. Received 100% tax free

| Tools of Philanthropy      |   | Tax Benefits: Assets and Charity Type   |   |   |  |
|----------------------------|---|---|---|---|--|
|                            | Cash                                    | Publicly Traded Stock                   | Privately Owned Stock                   | Real Estate                             |  |
|                            | \$100,000                               | \$100,000 FMV<br>\$25,000 basis         | \$100,000 FMV<br>\$25,000 basis         | \$100,000 FMV<br>\$25,000 basis         |  |
| Tax Deduction              | Public Charity<br>\$100,000             | Public Charity<br>\$100,000             | Public Charity<br>\$100,000             | Public Charity<br>\$100,000             |  |
|                            | Private Foundation<br>\$100,000         | Private Foundation<br>\$100,000         | Private Foundation<br><b>\$25,000</b>   | Private Foundation<br><b>\$25,000</b>   |  |
| Usability of Tax Deduction | Public Charity<br>50% of AGI            | Public Charity<br>30% of AGI            | Public Charity<br>30% of AGI            | Public Charity<br>30% of AGI            |  |
|                            | Private Foundation<br><b>30% of AGI</b> | Private Foundation<br><b>20% of AGI</b> | Private Foundation<br><b>20% of AGI</b> | Private Foundation<br><b>20% of AGI</b> |  |



# PPPOC PRIMER

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## Tax Benefits of Charitable Giving

Label

(See instructions on page 14.) Use the IRS label. Otherwise, please print or type.

Label Here

For the year Jan. 1–Dec. 31, 2008, or other tax year beginning , 2008, ending , 20 OMB No. 1545-0074 Your first name and initial Last name Your social security number If a joint return, spouse's first name and initial Last name Spouse's social security number Home address (number and street). If you have a P.O. box, see page 14. Apt. no. City, town or post office, state, and ZIP code. If you have a foreign address, see page 14. You must enter your SSN(s) above. Checking a box below will not change your tax or refund.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) You Spouse

Filing Status

Check only one box.

- 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child (see page 16)

Exemptions

If more than four dependents, see page 17.

6a Yourself. If someone can claim you as a dependent, do not check box 6a 6b Spouse 6c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 17) 6d Total number of exemptions claimed

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Table with 22 rows for income items: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 8b Tax-exempt interest; 9a Ordinary dividends; 9b Qualified dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Add the amounts in the far right column for lines 7 through 21. This is your total income.

Adjusted Gross Income

Table with 10 rows for adjusted gross income items: 23 Educator expenses; 24 Certain business expenses of reservists, performing artists, and fee-basis government officials; 25 Health savings account deduction; 26 Moving expenses; 27 One-half of self-employment tax; 28 Self-employed SEP, SIMPLE, and qualified plans; 29 Self-employed health insurance deduction; 30 Penalty on early withdrawal of savings; 31a Alimony paid; 31b Recipient's SSN; 32 IRA deduction; 33 Student loan interest deduction; 34 Tuition and fees deduction; 35 Domestic production activities deduction; 36 Add lines 23 through 31a and 32 through 35; 37 Subtract line 36 from line 22. This is your adjusted gross income.

Tax and Credits

Standard Deduction for—

- People who checked any box on line 39a, 39b, or 39c or who can be claimed as a dependent, see page 34.
• All others:
Single or Married filing separately, \$5,450
Married filing jointly or Qualifying widow(er), \$10,900
Head of household, \$8,000

38 Amount from line 37 (adjusted gross income)
39a Check if: [ ] You were born before January 2, 1944, [ ] Blind. Total boxes checked
b If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here
c Check if standard deduction includes real estate taxes or disaster loss (see page 34)
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 If line 38 is over \$119,975, or you provided housing to a Midwestern displaced individual, see page 36. Otherwise, multiply \$3,500 by the total number of exemptions claimed on line 6d
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see page 36). Check if any tax is from: a [ ] Form(s) 8814 b [ ] Form 4972
45 Alternative minimum tax (see page 39). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Credit for the elderly or the disabled. Attach Schedule R
50 Education credits. Attach Form 8863
51 Retirement savings contributions credit. Attach Form 8880
52 Child tax credit (see page 42). Attach Form 8901 if required
53 Credits from Form: a [ ] 8396 b [ ] 8839 c [ ] 5695
54 Other credits from Form: a [ ] 3800 b [ ] 8801 c [ ]
55 Add lines 47 through 54. These are your total credits
56 Subtract line 55 from line 46. If line 55 is more than line 46, enter -0-

Other Taxes

57 Self-employment tax. Attach Schedule SE
58 Unreported social security and Medicare tax from Form: a [ ] 4137 b [ ] 8919
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
60 Additional taxes: a [ ] AEIC payments b [ ] Household employment taxes. Attach Schedule H
61 Add lines 56 through 60. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

62 Federal income tax withheld from Forms W-2 and 1099
63 2008 estimated tax payments and amount applied from 2007 return
64a Earned income credit (EIC)
b Nontaxable combat pay election
65 Excess social security and tier 1 RRTA tax withheld (see page 61)
66 Additional child tax credit. Attach Form 8812
67 Amount paid with request for extension to file (see page 61)
68 Credits from Form: a [ ] 2439 b [ ] 4136 c [ ] 8801 d [ ] 8885
69 First-time homebuyer credit. Attach Form 5405
70 Recovery rebate credit (see worksheet on pages 62 and 63)
71 Add lines 62 through 70. These are your total payments

Refund

Direct deposit? See page 63 and fill in 73b, 73c, and 73d, or Form 8888.

72 If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you overpaid
73a Amount of line 72 you want refunded to you. If Form 8888 is attached, check here
b Routing number
c Type: [ ] Checking [ ] Savings
d Account number
74 Amount of line 72 you want applied to your 2009 estimated tax

Amount You Owe

75 Amount you owe. Subtract line 71 from line 61. For details on how to pay, see page 65
76 Estimated tax penalty (see page 65)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 66)? [ ] Yes. Complete the following. [ ] No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.

# Charitable Gift Annuity

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**Prepared For**  
**John Jones**

**A SERVICE PROVIDED BY**  
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Please feel free to call for further assistance.

# Charitable Gift Annuity

John Jones - Age 80

| Property |           |
|----------|-----------|
| Value    | \$100,000 |
| Cost     | 20,000    |
| Gain     | \$80,000  |

7.10% Annuity

Principal  
\$100,000

Foundation  
\$100,000  
(Approximate Value)

One Life

1. Gift property to charity. Partial bypass \$80,000 gain may save \$6,090. Income tax deduction of \$50,750 may save \$16,748.

2. Annuity of \$7,100.00 for one life. Tax-free amount \$1,048.32. Estimated one life payout of \$72,420. Effective payout rate 10.5%.

3. Quarterly payments for one life. Property passes to charity with no probate fees. There are also no estate taxes.

