



## ELDER LAW OF MICHIGAN, INC.

# *Access to Justice Fund Planned Giving Information*

Planned giving is as easy as (1) making a charitable gift, and (2) saving taxes. We'd like to make it even easier with this primer on some of the best ways to give – and save. Always check with your accountant or other tax advisor for the advantages (and possible drawbacks) of making a planned gift, based upon your particular circumstances.

This brochure describes how planned giving can be used to support Elder Law of Michigan (ELM) through the Access to Justice (ATJ) Fund. ELM and all participants in the ATJ Campaign also advise donors of the additional option to support the statewide ATJ Fund Endowment which will generate revenue into the future to support civil legal aid to the poor throughout Michigan. To make a planned gift for ELM or for the statewide ATJ Fund Endowment, see the contact information at the end of this brochure.

### **Gifts of Cash**

If you itemize, you can lower your income taxes simply by writing a check to the “Access to Justice Fund” and request that it be designated for ELM.

Gifts of cash are fully deductible - up to a maximum of 50% of your adjusted gross income. For example, if your adjusted gross income for this year is \$50,000.00, up to \$25,000.00 of charitable gifts may be deducted this year. Any excess can generally be carried forward and deducted over as many as five subsequent years. In addition, through a special arrangement with the Capital Region Community Foundation, gifts to the ATJ Fund Endowment designated for ELM, with tax credit, are eligible for Michigan's community foundation tax credit.

### **Gifts of Appreciated Stock**

If you own appreciated stock, it is often more tax-wise to contribute stock than cash. This is because a gift of appreciated stock generally offers two-fold tax savings. First, you avoid paying any capital gains tax on the increase in value of the stock. Second, you receive an income tax deduction for the full fair market value of the stock at the time of the gift.

Example: If you purchased some stock many years ago for only \$1,000, and it is now worth \$10,000, an outright gift of stock to the Access to Justice Fund

would result in a charitable contribution deduction of \$10,000. In addition, there is no tax on the \$9,000 appreciation in value.

Make sure you have owned the stock for a “long term” period of time (this generally means that you have held the stock for more than one year) to qualify for these significant tax advantages.

Gifts of appreciated stock are fully deductible - up to a maximum of 30% of your adjusted gross income. For example, if your adjusted gross income for this year is \$100,000, up to \$30,000 of long-term appreciated stock and other property gifts may generally be deducted this year. Any excess can generally be carried forward and deducted over as many as five subsequent years.

### **Gifts of Real Estate**

A gift of real estate can also be tax-wise. A residence, vacation home, farm, acreage, or vacant lot may have so appreciated in value through the years that its sale would mean a sizeable capital gains tax. By making a gift of this property instead, you would avoid the capital gains tax, and, at the same time, receive a charitable deduction for the full fair market value of the property.

It is also possible to make a gift of your home, farm, or vacation home so that you and your spouse can continue to use it for your lifetimes - while you receive a current income tax deduction.

Example: Mr. and Mrs. Smith own a vacation home in the mountains that they would like to continue using. Its fair market value is \$100,000. By contributing the home to the Access to Justice Fund for ELM now, but retaining the exclusive right to use it for the rest of their lifetimes, the Smiths are able to achieve a current income tax charitable contribution deduction of approximately \$25,000. (The precise amount will depend upon their ages, the useful life of the house, and other factors.)

### **Gifts of Life Insurance**

A gift of life insurance can provide a significant charitable deduction. You could purchase a new policy or donate a policy that you currently own but no longer need. To receive a deduction, designate the Access to



Elder Law of Michigan participates in the Access to Justice Campaign to increase resources for civil legal aid to the poor in Michigan. The ATJ Campaign is a partnership of the State Bar of Michigan, the Michigan State Bar Foundation and Michigan's civil legal aid programs. Tax deductible contributions to the ATJ Fund are received and administered by the Michigan State Bar Foundation according to the Access to Justice Fund Guidelines located at [www.msbf.org/atjfund](http://www.msbf.org/atjfund).

Justice Fund (designated for ELM) as both the owner and beneficiary of the life insurance policy. Check with your insurance agent or the Access to Justice Fund staff for the details.

Example: Mr. Anderson owns a \$100,000 life insurance policy with a current cash value of \$34,582. By transferring the policy to the Access to Justice Fund (designated for ELM) as the new owner and beneficiary, Mr. Anderson is able to receive a current charitable deduction in the amount of \$34,582. If Mr. Anderson decides to continue paying the premiums on the policy after the gift is made, these additional premium payments will be tax deductible each year.

### **Charitable Remainder Trusts**

(How to increase your income, receive a charitable contribution deduction and avoid capital gains taxes.)

If you own stock which is paying you low dividends, maybe 2% or 3%, a "life-income" gift may be an appropriate gift. You could transfer the stock to a "charitable remainder unitrust" or "charitable remainder trust" with the Access to Justice Fund (designated for ELM) as the remainder beneficiary; this could provide you with a 5% or greater annual return. This income would be paid to you and/or a loved one for life, after which the assets would be distributed outright to us. Through such an arrangement, you would be increasing your income and making a meaningful (and tax-deductible) contribution to us at the same time.

Example: Suppose Mrs. Jones, age 70, purchased some stock many years ago for \$10,000 and that the stock is now worth \$100,000. But, she receives only \$2,000 per year in dividends, or a 2% yield. By transferring the stock to a charitable remainder trust and specifying that she wanted a 6% return for life, she could:

1. Triple her annual income (from \$2,000 to \$6,000);
2. Avoid the capital gains taxes she would otherwise incur on a sale of the stock; and
3. Be entitled to a charitable contribution deduction of approximately \$54,000. (The amount of the deduction depends upon the age of the donor, the rate of return specified in the trust, the size of the gift, and other factors.)

### **Charitable Lead Trusts**

Charitable lead trusts are essentially the reverse of the life income gifts described above. The income from the trust is first paid to us; the Access to Justice Fund's interest leads the way (hence the name of the trust).

Under this arrangement, you transfer assets to a trustee who makes payments to the Access to Justice Fund

(designated for ELM) for a specified number of years, after which time the assets are transferred to your heirs. If properly structured, the charitable lead trust allows you to pass assets on to your children and grandchildren either completely free or substantially free of all estate and gift taxes! It can make good sense for anyone in the top estate and gift tax brackets.

### **Bequests**

The Access to Justice Fund can be named as a beneficiary in your will in any one of a number of simple ways. An outright gift, either a designated dollar amount or percentage of your estate, could be specified. We could also be named as a remainder beneficiary to receive funds only after specific sums have been paid to individual beneficiaries. It may be helpful to know that you can easily add the Access to Justice Fund to your will through an amendment to your will called a codicil; thus your entire will does not have to be redrafted.

Sample will language:

"I bequeath the sum of Ten Thousand (\$10,000) Dollars to the Access to Justice Fund at the Michigan State Bar Foundation, designated for Elder Law of Michigan."

"I bequeath Ten Percent (10%) of the residue of my estate to the Access to Justice Fund at the Michigan State Bar Foundation, designated for Elder Law of Michigan."

### **In Conclusion**

A brochure cannot tell you everything you need to know about planned giving and which method would be the most advantageous for your particular financial and estate planning situation. Check with your attorney, accountant, or other tax advisor for additional information on how these general rules apply to your situation. Not all of the available methods of giving could be included in this brochure, and not all of the tax ramifications of each form of gift could be discussed.

The Michigan State Bar Foundation has the right to reject any gift which may not be suitable for receipt. Access to Justice Fund gifts will be received and managed according to the Access to Justice Fund Guidelines at [www.msbf.org/atjfund](http://www.msbf.org/atjfund).

### **Contact information:**

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