



ARCHDIOCESE OF INDIANAPOLIS  
The Church in Central and Southern Indiana



# PRESERVING OUR FAITH – CREATING A LEGACY

An Estate Planning Newsletter Provided by Catholic Community Foundation, Inc.

Fall 2013



*Dear Brothers and Sisters in Christ:*

“Why” is important. For most of us, “why” begins early in life when we ask, “Why do I have to...wash my hands...clean my room...do my homework?” “Why can’t I stay up later?”

As we grow up, the “whys” become more sophisticated and more critical. Lots of people want us to support their cause and we have to ask ourselves, “Why do I care?” or “Why should I help them?” When it comes to the Church, Archbishop Joseph W. Tobin, Archbishop of Indianapolis, said the answer to that question can be found in this definition of stewardship: “What I do with what I have when I believe in God.”

Whatever reasons motivate your personal philanthropy, the “why” of giving is quickly followed by the “how.” There are many ways you can support the Archdiocese of Indianapolis and its parishes, schools and charitable agencies.

The fact is, the way in which you give can be an essential element in making the most of your gift and ensuring that you realize your personal planning goals. So, as the year comes to a close, we invite you to take a few moments to read about and consider some options that may help you reach your personal philanthropic goals. If we can help with your planning in any way, feel free to contact us by phone or email, or by returning the attached card. Be sure to ask for our complimentary brochure, *Taxpayer’s Home Companion*. And as always, if you would like to share the “why” behind your philanthropy, we would enjoy hearing about it!



Sincerely,  
Ellen M. Brunner  
*Director, Catholic Community Foundation*

In This **ISSUE**

- › THE IRA CHARITABLE ROLLOVER
- › RETIREMENT PLAN ASSETS
- › APPRECIATED STOCK

*Visit our website*

[www.archindy.org/plannedgiving](http://www.archindy.org/plannedgiving) for more information about effective and creative ways to support the Archdiocese of Indianapolis.

# The IRA Charitable Rollover May Be a Great Fit

By now, you have undoubtedly heard about the IRA Charitable Rollover. Welcomed by donors, it has been a part of the charitable giving landscape for several years, but unfortunately still contains a sunset provision. This means the law will expire on a certain date and Congress has to pass legislation in order to renew it, making its availability from one year to the next unpredictable. However, Congress has extended the rollover for 2013, so for donors with eligible IRAs, this is a good time to consider this attractive option.

Why is this an important option? If you own an IRA and are 70½ or older, you are required to take a distribution (a required minimum distribution or “RMD”) from your IRA, even if you don’t want it or need it. Of course, you must pay income taxes on RMDs—there’s simply no way around it. But under the IRA Charitable Rollover, you can elect to make a distribution directly from your IRA to the Catholic Community Foundation, and no income taxes are due because we are a tax-exempt charity.

## In a nutshell, here are the reasons why the IRA Charitable Rollover is an especially attractive option.

- It satisfies your required minimum distribution.
- You can give MORE than your required minimum distribution—up to a limit of \$100,000.
- No tax is due on the distribution (subject to a \$100,000 limit).
- The money is immediately available to us to support the programs and work most important to you.

**Special Note to Indiana Taxpayers:** Indiana now allows those who take advantage of the IRA Charitable Rollover to receive favorable tax treatment on their Indiana taxes. The new rule has a retroactive effect, so check with your tax advisor to see if you qualify for tax benefits related to your 2012 tax return.

**A YEAR-END GIFT:** Suppose you want to make a \$10,000 gift, and you are also required to take a \$10,000 IRA distribution. If you take the IRA distribution and then make a cash gift, your total “out of pocket” cost is \$10,000 because any deduction you could take for the cash gift (assuming you itemize for federal taxes) will be offset by the tax due on the distribution. However, if you make your gift by directing your RMD to us as a charitable rollover, you pay no tax on the distribution. In effect, the net cost of your gift is \$10,000 *minus* whatever tax would have been due on the IRA distribution.

**IF YOU DON’T ITEMIZE:** The IRA Charitable Rollover is also valuable to donors who do not itemize their tax return. With a charitable rollover contribution of an RMD, you can make a meaningful gift and *pay no taxes* on the required minimum distribution.

**EASY TO COMPLETE:** Making a gift through an IRA Charitable Rollover is as easy as contacting the trustee of your IRA account and requesting the qualified charitable distribution to the Archdiocese of Indianapolis and/or a gift to the Archdiocese for the benefit of a parish, school or agency. Your trustee will help you complete the simple transfer of funds. Please notify us as well.

Under current law the IRA Charitable Rollover is set to expire December 31, 2013. Now is a good time to take advantage of the act.



## Other Options with Retirement Plan Assets

The IRA Charitable Rollover is not the only option for making a meaningful gift using retirement plan assets. In fact, as part of your overall planning strategy, it’s important to be aware of what happens to your retirement plan assets when you die.

**THE TAXING TRUTH:** When you withdraw money from a qualified retirement plan, it is subject to income tax. This is also true for any beneficiaries or heirs who receive the funds after you pass away. There is no way around the tax—you and your beneficiaries can count on it!

## ESTATE GIFT TO LOVED ONE: RETIREMENT ASSETS VS. APPRECIATED STOCK

GIFT	AMOUNT SUBJECT TO TAX
\$50,000 gift of retirement assets	Entire \$50,000 is subject to tax when it is withdrawn
\$50,000 gift of appreciated stock	Only the increase in value exceeding \$50,000 is taxed when stock is sold (no tax due on initial \$50,000 gift)

If you are interested in remembering the Archdiocese of Indianapolis and/or a parish, school or agency and your loved ones through a gift in your will or living trust, retirement plan assets may deserve special treatment. If you leave these assets to heirs, they will be taxed as income when your heirs make withdrawals, thus ultimately reducing your legacy. But if you leave the retirement plan assets to us, we pay no income tax because we are a qualified charity. Unlike your heirs, we can put the full amount of your gift to work.

As an alternative to leaving retirement assets to loved ones, consider leaving appreciated stock instead. Your heirs will receive the stock income tax free, and with a basis equal to its value when the stock is received. Income tax is due only when the stock is sold, and only the amount in excess of the stepped-up basis is subject to tax.

To name us as a beneficiary of retirement account assets, consult your financial advisors and ask your plan administrator for a change of beneficiary form. It's that simple. Please be sure to use our correct legal name, which is: Roman Catholic Archdiocese of Indianapolis, Inc. Should you choose to include a parish, school or other ministry, please contact us for the correct legal name.

## Speaking of Appreciated Stock...

Suppose qualified retirement plan assets will not play a role in your end-of-year philanthropy, but you want to make a year-end gift, and you own highly appreciated stock. An outright gift of appreciated stock is a simple and tax-wise strategy for making a gift.

**WHY MAKE A GIFT OF STOCK?** If you want to support the Archdiocese of Indianapolis and/or a parish, school or agency and you own highly appreciated stock, a gift of stock often makes a lot more sense than a cash gift. For us, the ultimate benefit is the same, and your gift can be put to work immediately. But for you, how you make your gift can have significant consequences.

**FOR EXAMPLE,** through the “magic” of appreciated stock, \$10,000 can become a \$20,000 gift and you can avoid capital gains taxes on the stock's appreciation. Here's how: Suppose you purchased stock several years ago for \$10,000, and that stock is now worth \$20,000. If you make a gift of the stock to the Catholic Community Foundation, your original \$10,000 investment has become a \$20,000 gift. In addition, you get a double tax benefit—you pay no capital gains tax on the stock appreciation, and you are eligible for a charitable deduction equal to the full appreciated value of the stock.

Of course, your personal planning needs are the determining factor when considering a gift, but the double tax advantage of giving appreciated stock (charitable tax deduction plus avoidance of capital gains tax) makes this gift a favorite of many philanthropists.

A gift of stock is easy to complete—often as easy as instructing your broker to make a direct electronic transfer of the stock to us. We will provide all of the necessary documentation of your gift for tax purposes. Please let us know if we can provide more information on this powerful gifting option.





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The Church in Central and Southern Indiana

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## GIVING MAKES A DIFFERENCE. PLANNING MAKES IT PERSONAL.

Every gift we receive makes an important difference to our ministry. As you consider philanthropic goals, we invite you to carefully consider the available gift options. If we can provide more information, please contact us by phone or email, or by returning the enclosed card. Also, be sure to request our complimentary planning guide, the *Taxpayer's Home Companion for 2013*, which includes a checklist you can use when preparing to complete your tax return. Thank you for considering us as part of your year-end planning, and thank you for your continuing support.

### What About Those Higher Tax Rates in 2013?

For 2013 tax returns, a new top income tax rate of 39.6% applies to ordinary income that exceeds \$400,000 for single individuals and \$450,000 for joint filers. In addition, people in this bracket also pay an increased tax rate of 20% on long-term capital gains and qualified dividends (up from 15%). Although relatively few taxpayers are affected by these higher rates, there are additional (and lower) threshold amounts to consider.

For example, when investment income and modified adjusted gross income exceeds \$200,000 (individuals) or \$250,000 (joint filers), taxpayers will pay an additional tax of 3.8% on either net investment income or the excess of income over the threshold amount (whichever is less). Keep in mind that unusual circumstances (such as receiving a lump sum distribution that qualifies as income, selling a business interest, or selling appreciated securities or real estate) may put you at or above these thresholds and result in higher taxes.

Charitable contributions are an effective way to reduce taxable income. Consult your advisors to discuss the possible impact of the new tax rates and how charitable giving can play a role in your planning, and please contact us if we can be of help.



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Information contained in this newsletter is not intended as legal advice. Please consult your attorney and financial advisors for advice specific to your own circumstances.



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## How you give is important

### Planning makes a difference for you and us

We hope this issue of ***Preserving Our Faith - Creating a Legacy*** has again provided insight into practical ways to meet your philanthropic goals. Please take a moment to contact us by phone or email if you have questions or to request more information. As always, we appreciate your consideration and support of our work.

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NAME

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ADDRESS

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CITY/STATE/ZIP

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BUSINESS PHONE

HOME PHONE

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EMAIL

- Please send a complimentary copy of the ***2013 Taxpayer's Home Companion***, the digest that provides key tax information and planning tips.
- I am interested in making a gift from my IRA - please contact me.
- Please send information about making a gift of appreciated stock.
- I have a story to share about why I support the Archdiocese of Indianapolis.

PLACE  
STAMP  
HERE

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