

Preserving Our Faith - Creating a Legacy

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

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*Translating charitable
passions into action
in service of
Catholic ministries.*

WHERE ARE YOU: Retirement Planning at Any Stage

Ask ten different people to share their thoughts on retirement and you will likely hear ten distinct responses. It is, after all, a matter of perspective. People nearing the end of a flourishing career are often surprised to realize that retirement is right around the corner. The recently retired think about shifting their focus from accumulating wealth to creating income and distributing assets. Retired executives and professionals who have settled into retirement focus on maintaining wealth, providing a legacy, and conserving taxes. In every situation, there are ways to give that can provide important planning opportunities—gift options that join philanthropy with retirement planning to help donors realize important goals and objectives.

Where are you?

- Dreaming about retirement
- Carefully considering the best way to distribute accumulated assets
- Living in retirement and focused on your legacy

Whatever your stage in life, now is a good time to think about how you can support our organization in ways that benefit you and your long-term retirement planning objectives.

To learn more about the role charitable giving can play in your retirement planning, contact us by phone or email, or return the enclosed card. Be sure to ask for our complimentary brochure, Planning Options for Your Stage in Life, designed to help you identify and understand gift planning options that may be a good match for you today. As always, we appreciate your support and welcome the opportunity to be of assistance to you and your advisors.

Sincerely,



Joanna S. Feltz, J.D.
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THE RETIREMENT MARATHON

Retirement planning is a marathon, not a sprint. To win a marathon, runners pace themselves until, with a last burst of energy, they surge over the finish line. Workers can follow a similar strategy in retirement planning. Those who have been saving regularly over the years have an opportunity to accelerate their savings pace and make a final push to accumulate as much as possible before their working years come to an end.

Maxing Out Qualified Plans

First, of course, participants in qualified retirement plans should make certain that plan contributions always meet the allowable federal limits. For those age 50 and over, Congress added a catch-up option out of concern that baby boomers hadn't saved enough for retirement. Plans that permit catch-up contributions (they are not required to, but most do) work like this:

- Catch-ups are made on top of current limits after a participant contributes the maximum regular contribution (\$18,000 for 2015)
- The catch up is not subject to any other federal or plan contribution limits.

Deferred Gift Annuities:

A Good Fit with Qualified Plans

A deferred gift annuity is ideally suited to those who have reached the maximum allowable contribution limits (including catch-up provisions) but still want to accumulate additional retirement assets. A deferred gift annuity lets donors provide additional income for retirement and choose when they want annuity payments to begin. Keep in mind that longer deferrals result in larger income tax deductions and a bigger payout rate.

EXAMPLE: Maggie, age 53, is an entrepreneur who sold her social media marketing business for \$400,000 earlier this year. Now, she is in the planning stage for her next business venture. A dedicated supporter of our organization, Maggie could benefit from a current income tax deduction, and she is interested in supplementing her future retirement income. For Maggie, a deferred gift annuity is an ideal gift plan to consider. If she makes a gift of \$50,000 and defers payments to age 65 (when she plans to retire), she receives a payment rate of 6.5% and is eligible for a current income tax deduction of \$15,057. Beginning at age 65, she will receive annual payments of \$3,250 for the rest of her life.

CROSSING OVER: INCOME PLANNING

Crossing over from work to retirement is a time of transition. When retirees shift their focus from accumulating assets to accessing and distributing those assets, providing income

2015 Federal Limits for Retirement Accounts

Account	Contribution Limit	Catch-up contribution
401(k), 403(b) and 457	\$18,000	\$6,000
SIMPLE IRA	\$12,500	\$3,000
Defined Contribution Plans/Keogh and SEP-IRA	20% of net self-employment income (or 25% of compensation), up to \$53,000	None
Individual 401(k)	20% of net self-employment income (or 25% of compensation) plus \$18,000, up to \$53,000	\$6,000
Traditional IRA and Roth IRA	\$5,500	\$1,000

Example is for illustrative purposes and is based on an AFR of 2.0%.

becomes the primary planning concern. Fortunately, there are gift plans that can help retirees meet this challenge.

Charitable Gift Annuities

There are many reasons why donors who need a lifetime income starting immediately turn to charitable gift annuities:

- The payout rate locks in for life—at rates higher than you might expect
- A current income tax charitable deduction can reduce tax bills
- Donors can establish a new gift annuity year after year if annuities continue to be a good tool for maintaining retirement income

Charitable Remainder Trusts

A charitable remainder trust (CRT) is another way to make a gift that generates a lifetime income. Although more complex than a gift annuity, it provides more flexibility. By funding the trust with appreciated property, donors can sidestep additional investment taxes at the time of the transfer and still benefit from a current income tax charitable deduction. A CRT will provide income payments for as long as you or your beneficiaries live, or for a specified term up to 20 years.

LIVING HAPPILY EVER AFTER

The need to review and revise retirement plans does not stop at retirement. Indeed, one of the rewards for hard work and diligent planning is the opportunity to provide a lasting legacy by making an even greater philanthropic impact during retirement. Retirees should review retirement and philanthropic planning intentions periodically to:

- Make certain goals are still being met
- Determine whether changes in family circumstances and personal priorities have altered philanthropic goals.

During this stage in life, there are many gift options to consider:

Bequests and beneficiary designations are the simplest options. There are many ways to set up charitable bequests through your will. Naming our organization the beneficiary of a life insurance policy or qualified retirement plan is an easy way to support our mission with no out-of-pocket cost to you.

A charitable gift annuity remains a good option, and may even be worth greater consideration as you age. Of course, the payout rate is fixed at the time you set up the gift annuity, and you can establish a new gift annuity every year if you find it is a good tool for maintaining streams of retirement income.

Retirement plan assets may also be an excellent gift choice. When you leave these assets to an individual, that person will have to pay income tax upon receipt of the property. Not so for our organization—since we are a tax-exempt charity, we do not owe tax on the gift, meaning the full amount of your legacy gift will immediately support our work.

Real estate, such as a vacation home or second property the family no longer wishes to keep, can also make an excellent

Using Charitable Giving in Your Retirement Planning		
Where you are now	What it looks like	Charitable giving options
Running the marathon	Middle to late career years, implementing a plan, perhaps making an extra push before retirement	Maxed out qualified plan Catch-up contributions Deferred charitable gift annuities
Crossing over	Shift from accumulating assets to distributing assets, with emphasis on creating income streams	Charitable gift annuities Charitable remainder trusts Gifts of appreciated property Gifts by will or trust
Living happily ever after	Retirement years, providing income and maintaining wealth while creating a legacy	Bequests and beneficiary designations Laddered gift annuities More complex trusts Gifts of retirement assets or real estate

Example is for illustrative purposes.

gift. Even when the property is no longer used due to changing circumstances—children move away, grandchildren lose interest—property taxes and maintenance expenses continue to erode assets. There are several tax-advantaged ways to donate real estate. We are happy to help you examine the feasibility of these gift options.

A CHARITABLE REMAINDER TRUST KEEPS 90-YEAR-OLD ACTIVE

He's part of the Greatest Generation. His story is like so many young men who were 17 in 1943. The war was going on and they wanted a chance to serve their country.

Muncie native Jack O'Neill wanted to be a Navy pilot. He signed up, but was told he likely wouldn't be called until he was 20 or 21. The family didn't have any money, so he went to work as a helper on a Coke truck.



"Then August came along and the Navy called me," O'Neill said. "I was 17 years old. I didn't even shave yet."

Through a series of twists and turns, O'Neill never did get to be a Navy pilot. He was at the point of getting his wings when the war ended in Europe. At the time the news came in, he was in downtown Chicago.

"Everybody kissed everybody," he said. "It was crazy."

O'Neill left the Navy and went to college, graduating from Purdue University in 1950 with a degree in metallurgic engineering. He started his first job on February 5, 1950. He has no trouble remembering that date, but admits he's not very good remembering names anymore. In October this year, O'Neill will be 90 years old. He attributes his long life to clean living – and an occasional smoke on his pipe.

O'Neill has seen a lot of changes in his years – in the world and the Catholic Church. While raised Catholic, he fell away from the Church for a long time. But he's back now and goes to Mass at Saint Luke's in Indianapolis every Sunday morning at 7:30.

"I really thought a lot of Fr. [Paul] Courtney," O'Neill said of the founder of Saint Luke Catholic Church. "He was such a positive influence on me and my family that I established a trust. I wanted to do something with a charity and have a way to save for the future. So in 1997, I established a Charitable Remainder Trust."

The CRT is divided equally between a charitable cause important to him and St. Luke's, which is managed by the Catholic Community Foundation. It's maintained its worth over the years, O'Neill said, and earning far more than a savings account would have.

"I haven't had one thing to worry about because it was set up with the right investments," he said. "It was very easy and it's been great. I'm getting about \$6,000 a quarter now, but it's been as high as \$9,000 a quarter."

O'Neill advises to think of legacy planning early, or at the earliest time that's comfortable.

"I should have done more at the time I started it, but I didn't know. The key is making the decision to do something at the time that is right for you," he said. "I have no regrets. My time's too short to be sitting around with regrets."

"But I'm sure glad I did it and it's been helpful to me," O'Neill said. "Hopefully, it will be helpful to Saint Luke's, too."

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'FARM GIRL' SETS UP TWO ENDOWMENTS TO SECURE LEGACY PLAN

Ruth Buening never thought she'd live in the city, but she admits she's adjusted quite well. Now 40 years in Indianapolis and the same as a member of St. Michael the Archangel Parish, the Indiana University nurse says she's the happiest girl in the whole USA.

"In the 70s, Donna Fargo had this song, I'm the Happiest Girl in the Whole USA. I used to belt that out all the time," Buening said with a smile. "Forty five years later, I still find myself singing that. I've been very blessed. It's been a great life."

Buening grew up on the farmlands of St. Paul, Indiana. She is the fourth youngest of 10 children and recalls only one Sunday in her life as a young girl that she missed Mass and that was when she had the measles. Church and devotion was a big part of her life.

"We worked, we played and we prayed," she recalls. "We prayed every day – before our meals and after. After our evening meal, we would clear off the table and go into the living room and we all knelt down on the linoleum floor and we prayed the rosary. That was a part of our life, and it made a big impact."

Today, she beams with pride when talking about her 28 nieces and nephews and "way too many to count" great nieces and nephews. She's notably proud of her nephew and godson, Matthew Buening, a priest in the Archdiocese of Baltimore who was ordained 12 years ago. She is also the funeral Mass planner at St. Michael, which got her to thinking about planning for her own legacy.

"People don't think ahead, even when they know their loved one is in the dying process," Buening said. "It's very difficult at the last minute to try to pull all of these things together. So I thought I should start that process."

This year, Buening set up two endowments through the Catholic Community Foundation – the Fr. Matthew T. Buening Pontifical North American College Endowment Fund and the Fr. Maliakkal Varghese Endowment Fund.

The purpose of the Fr. Matt fund is to provide tuition assistance for seminarians and priests of the Archdiocese of Indianapolis studying at the Pontifical North American College in Rome. "Fr. Matt studied in Rome and it was a wonderful experience for him," Buening said of the endowment. "I'm sure it made him a better person and better able to lead Christ's mission. I hope this endowment does the same for others."

The Fr. Varghese endowment is directly related to Buening's life at St. Michael's. Fr. Varghese was one of the longest serving priests at the parish and was instrumental in spurring the spiritual growth there, Buening said. "He was truly a shepherd of the flock."

The purpose of the endowment is outlined for each of the three organizations it benefits: for the spiritual needs, quality of worship and prayer, and operations and capital needs of St. Michael the Archangel Church; to help carry out the mission of the Society of St. Vincent DePaul in Indianapolis; and for the education and formation of seminarians and priests serving the archdiocese at St. Meinrad Seminary.

"It's all about planning," Buening said. "The endowments are a part of that planning. They are a part that will grow for infinity. They are well managed and I expect to see them grow so that more and more people can benefit from them."

