CHELEY FOUNDATION PLANNED GIVING

You and your advisors determine (a) what property or funds you desire to give and (b) when and on what terms the gift will be delivered. Representatives of the Foundation will see to it that your gift plans are carried out, per your wishes.

The Foundation is a qualified charitable corporation under Section 501(c)(3) of the Internal Revenue Service, and the federal employer tax identification number is 48-1077377. Gifts to the Foundation qualify for deductions for income and estate tax purposes.

WHAT ARE THE TYPES OF PLANNED GIFTS?

<u>Property to Gift</u>
*** Cash and bank accounts**
*** Real estate**
*** Stocks and bonds**
*** Retirement funds and IRAs**
*** Life insurance policies and annuities**
*** Mortgages, notes and other contracts**

<u>Ways to Gift Property</u>
*** Camper endowment in name of donor**
*** Present gift without restrictions**
*** Gifts through lifetime trusts**
*** Gift by bequest or devise under a will**
*** Gift through testamentary trust in a will**
*** Gift as a beneficiary (i.e. insurance, IRA's)**
*** Pledge or promise of future gift**

<u>Split Property Gifts</u>
You may split your interests in property by retaining some interest and by giving the charity other interests.

*** Deed personal residence or farm and retain a life estate**
*** Charitable lead trust**
*** Charitable reminder trusts**
*** Charitable gift annuity**

WHAT IS A BENEFICIARY DESIGNATION?

To designate the Foundation as a beneficiary of a planned gift, the proper designation is "John Austin Cheley Foundation, a corporation," with mailing address 315-B Big Horn Drive, Estes Park, Colorado 80517.

WHAT IS THE SUMMIT SOCIETY?

Anyone who names the Foundation as a beneficiary in his or her will or trust automatically qualifies as a member in the SUMMIT SOCIETY. There is no requirement or expectation that the amount or nature of the gift be disclosed. The membership in the SUMMIT SOCIETY is published in each annual report of the Foundation.

BUILDING THE ENDOWMENT FUND

All planned gifts, when received by the Foundation, will be used to build the endowment fund of the Foundation.

EXAMPLES OF PLANNED GIFTS

<u>Example 1</u> **Cash Gifts**

A donor writes a check payable to the Foundation for $5,000. Donor is entitled to a charitable deduction for $5,000 when the Foundation receives the check.

<u>Example 2</u> **Gifts of Marketable Securities**

A donor can give qualified marketable securities that have a low cost basis. The value of the gift is the fair market value of the securities on the date of transfer and the donor does not have to pay capital gain taxes. For instance, a gift of marketable stock having a cost basis of $5,000 and present market value of $50,000, will result in a charitable income tax deduction of $50,000 when the stock is transferred. The donor will not incur capital gain tax on the amount that the fair market value exceeds the cost basis.

<u>Example 3</u> **$100,000 Camper Endowment**

A $100,000 contribution will establish an annual campership or scholarship in honor or memory of an individual or organization. The endowment can be funded by contributing $100,000 in a single year resulting in a $100,000 charitable gift. The endowment can also be funded by contributing over a period of time (such as $20,000 per year over 5 years resulting in a charitable deduction of $20,000 per year) and the scholarship will be named as designated by the donor when all the contributions have been completed. Low basis stock can be used to fund the endowment.

<u>Example 4</u> **Gift of $10,000 in a Will**

A donor leaves the Foundation a $10,000 gift in his or her will. The donor's estate is entitled to a $10,000 charitable deduction for estate tax purposes.

Example 5 — **Gift in Will of 25% of the Residual of the Donor's Estate**

Donor in his or her will leaves 25% of the residual of the donor's estate to the Foundation. If the value of the residual of the estate is $200,000, the gift to the Foundation is $50,000 and the gift qualifies for an estate tax deduction.

Example 6 — **Foundation Designated as Beneficiary of an IRA Account**

Donor designates the Foundation as the beneficiary of an IRA account. At death, assume there is a balance in the IRA account of $75,000. If an individual had been designated as the beneficiary, the individual would pay income taxes on the distributions from the IRA account as the beneficiary receives each distribution. The Foundation does not pay income taxes on the distributions it receives since the Foundation is exempt from income taxes. The gift of the balance of the IRA account in the sum of $75,000 also qualifies for an estate tax deduction. (Note that the IRA accounts, certain other retirement type accounts, and items of property that have what is known as "income with respect to the decedent" are excellent items to gift to the Foundation for the reason that there is both income tax savings and estate tax savings).

Example 7 — **Gifts of Specific Property by Will**

Donor in his will gives to the Foundation his entire herd of horses that he owns at his death. The donor dies owning 20 horses, having a fair market value based on appraisals equal to $150,000. Donor's estate is entitled to an estate tax deduction of $150,000. The Foundation is the proud owner of 20 horses.

Example 8 — **Gift of Personal Residence**

A donor who is 47 years old gives title to a residential home in Estes Park to the Foundation and retains the right to reside in the home for the rest of the donor's life. Assume at the time of the deed that the applicable IRS interest rate is 6.4% and the value of the home is $500,000. From IRS Table S the remainder factor is .2031 and the present value of the remainder gift to the Foundation is $500,000 times .2031 or $101,550. The donor is entitled to a $101,550 charitable income tax deduction when the deed is delivered and at the same time retains use of the residential home for the rest of the donor's life. If in the above example, the donor gives the residential home to the Foundation for present use or sale, and the home or the principal value will revert back to the donor's estate when the donor dies, then the value of the gift to the Foundation is $500,000 less $101,550 (the value of the remainder), and a charitable income tax deduction of $398,450 is deductible when the deed is delivered. Of course, if the donor gives the residence outright to the Foundation, the donor will have a charitable deduction of $500,000 when the deed is delivered.

<u>Example 9</u> **Donor Retains an Annuity**

Assume a 47-year-old person donates property worth $1,000,000 to the Foundation and the donor retains an annuity for life with payments of $50,000 per year (5% of the interest value of the principal) at a time when the interest rate factor is 6.4% and a single life factor for a 47 year old person is 0.20311. The value of the annuity retained is $50,000 per year times (1.00000 minus 0.20311) divided by 6.4% or $622,570, and the value of the deduction from income taxes due to the charitable gift is $1,000,000 minus $622,570, or $377,430.

<u>Example 10</u> **Gift of 25% of the Residual of a Testamentary Trust**

Donor leaves, in her will, the residual of her estate in trust with income to her 47-year-old daughter. Upon the daughter's death, the balance of the trust shall be distributed in four equal shares of 25% each, with one share to the Foundation and the other three shares to her three grandchildren. Assume at donor's death, the IRS interest rate factor is 6.4%, a single life factor for a 47 year old person is 0.20311, and the value of the residual of the estate is $3,000,000. The value of the entire remainder interest when the daughter dies (determined at the time of donor's death) is $3,000,000 times 0.20311 or $609,330. The value of 25% of the remainder of the trust for the Foundation is therefore $152,333 (25% of $609,330), being the value of the gift to the Foundation that qualifies for a charitable estate tax deduction in donor's estate. When the daughter dies, the Foundation receives 25% of the balance of the trust regardless of its then value.

GENERAL COMMENTS RELATED TO TAX AND LEGAL MATTERS IN MAKING A PLANNED GIFT

Representatives of the Foundation are willing to work with the donor's attorneys, accountants, and other financial advisors to help structure and fund a gift that best serves the donor's personal desires consistent with sound tax advice and estate planning objectives.

The timing of the charitable tax deduction depends upon when the gift becomes irrevocable and when the gift is delivered. To be deductible, the gift must be a "completed" gift.

The amount of the charitable deduction depends on the value of property transferred and the timing of the transfer. The method and manner of establishing the valuation of a gift are set forth in detail in IRS Regulations.

Ownership and economic benefit of an item of property or a fund can be split between the donor and the Foundation. A donor may give cash, stock, or other property in a manner that the donor retains use for a period of time, then the

property goes to the Foundation (charitable remainder interest) <u>or</u> the donor may give economic benefit of the property to the Foundation for a period of time, and then the property reverts back to the donor or the donor's family (charitable lead interest). The value of the interest retained by the donor and the value of the interest that the Foundation receives is determined by (i) using IRS tables, (ii) using the applicable interest rate set by the IRS regulations at the time of the gift, and (iii) using applicable factors taking into account the periods of time the donor and the Foundation each have the economic benefit of the property.

The charitable deduction is deductible by the donor for income tax purposes if the gift is completed during the donor's lifetime. The charitable deduction is deductible for estate tax purposes if the transfer of the gift is testamentary in nature under a will or a trust. Charitable gifts for income tax purposes may be limited in a year to a percent of adjusted gross income with a 5 year carry forward.

In general, more extensive planning and more professional advice are required as the complexity of the gift increases.

FURTHER INFORMATION

Anyone interested in obtaining information related to a possible planned gift may contact the following:

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