

PLANNED GIVING

Yesterday, Today and Tomorrow

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Introduction

Planned Giving or an Estate Plan, means something different to everyone. No two estate plans or planned giving documents are alike. Each reflects the desires, properties, and priorities of the person who has taken the time to have the plan prepared.

A good estate plan results in the best possible management of your assets now, and later, for your loved ones who may survive you. It can include retirement planning, a program of life insurance coverage, trust arrangements, and other vehicles. In virtually every case, an estate plan should include a will.

If you wish to determine how well you have planned to date, answer the following questions “yes” or “no”:

1. I have a will
2. I have moved to a different State since last reviewing my plan
3. I have experienced a change in marital status
4. I have arranged for guardianship of my minor child(ren)
5. Children or grandchildren have been born since I last reviewed my plan
6. I am certain all my property will go to the persons I want to receive it
7. My children or spouse would need no assistance in managing property left to them by me
8. My charitable interests are the same as when I last reviewed my plan
9. I have purchased life insurance to be available for payment of State and Federal estate taxes
10. My financial records are easily accessible and readily understandable
11. I have a good idea of the amount of estate taxes due at my death
12. The executor I have chosen to handle my estate is still willing and available
13. I am aware of the amount of property I am entitled to leave tax-free
14. I am satisfied that the charitable causes and institutions I support are remembered in my estate plan as I wish

Regardless of your score on the “quiz”, you and those you care about stand to benefit from any insight gained.

Laws vary from State to State. Remember to consult professional advisors when making specific plans.

Gifts beyond your life-time will provide a second chance for deserving children for generations to come.

Here are ways you may give to the children at Happy Hill Farm Academy/Home through your estate plan:

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Bequest

How to include Happy Hill Farm Academy/Home in my will...

Many of our supporters make charitable gifts by naming Happy Hill Farm Academy/Home as a beneficiary in their wills. The federal government encourages these gifts or bequests, by allowing an unlimited estate tax charitable deduction.

To make a bequest to Happy Hill Farm Academy/Home, the following language will be helpful to your lawyer:

I give, devise, and bequeath to Happy Hill Farm Children's Home, Inc.
the sum of _____ (or otherwise describe the gift or specify a
percentage of the estate).

There are three ways you can make a bequest:

Specific Bequest - You designate a specific dollar amount, specific percentage, or specific property to Happy Hill Farm Academy/Home.

Residual Bequest - Your estate will pay all debts, taxes, expenses, and specific bequests. The remaining amount—the residue—will be transferred to Happy Hill Farm Academy/Home.

Contingent Bequest - You can ask that Happy Hill Farm Academy/Home receive all or a portion of your estate only under certain circumstances. For example, you can name Happy Hill Farm Academy/Home as a beneficiary of your estate only if there are no surviving close family members. Childless couples sometimes provide for the entire estate to go to the surviving spouse, or if the spouse does not survive, to Happy Hill Farm Academy/Home.

If you have already made a plan to give to Happy Hill Farm in your will or estate plan, we are grateful. We realize that with your special gift, you consider us to be part of your family, and we want to do our best to keep you informed as to how your gift will be used and to give you the opportunity to tell us of your wishes.

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Life Income Gift

How do I establish a life income gift?

Family obligations and the need to provide for retirement, coupled with the high cost of living, make it difficult for many people to consider substantial charitable gifts now. But there is a way to have the satisfaction of making a meaningful lifetime gift without sacrifice. In fact, you can get current income tax and financial benefits. It is called a **life income gift**. You irrevocably transfer some assets to Happy Hill Farm Academy/Home now, and in return, you (and a survivor, if you wish) receive income for life. As a result, the assets are used to carry out our mission.

By making a life income gift to Happy Hill Farm Academy/Home, you will receive the following benefits, in addition to the pleasure of knowing the good work your gift will do. The benefits include:

- A charitable deduction in the year you make the gift for the present value of our right to eventually receive the assets.
- You free up appreciated investment to maximize yield, diversify, or both—often without paying tax on the capital gain.
- Your effective yield is increased by substantial income tax savings.
- Income can be taxed more favorably in some plans.
- You unburden yourself of investment concerns.
- Your probate and estate administration costs may be reduced.

What are examples of life income plans?

Charitable Gift Annuity

In exchange for your gift of cash or marketable securities to Happy Hill Farm Academy/Home, we agree to pay you (and a survivor or other beneficiary) a fixed amount annually for your lifetime. The transfer is part gift and part purchase of an annuity. The rate of return is attractive and the payments are guaranteed for life.

If you wish, you may defer the charitable gift annuity. You can make the gift now, and Happy Hill Farm will pay you (and another beneficiary, if you wish) life income starting at any date you specify. This is a great option if you are concerned about retirement income. Also, you receive the income tax deduction in the year you make the gift. The amount you receive each year depends on the amount transferred, your age now, and your age when the payments are to start.

Charitable Remainder Trust

This life income plan is created by transferring assets to a trust that pays you (and another beneficiary, if you wish) income for life. At the end of the trust, the remaining trust assets are transferred to Happy Hill Farm. A bank or trusted advisor can serve as trustee.

The type of charitable remainder trust you choose determines your annual payments:

Charitable Remainder **Annuity** Trust

The charitable remainder annuity trust pays you a fixed dollar amount annually for life. The fixed payments are determined by the payout percentage selected at the beginning of the trust. You can claim a charitable deduction on your income tax form the year that you create the trust. The payments you receive are taxed as ordinary income, and in some cases, as capital gain or tax-free return of principal.

For example: Mrs. Evans irrevocably transfers \$100,000 to create a charitable remainder annuity trust that will provide her with life income payments. Included in the trust agreement (for illustration purposes) is the stated payout percentage of 7. She will receive \$7,000 annually for her life ($\$100,000 \times 7\%$). If income earned by the trust exceeds the fixed payment of \$7,000, the excess is reinvested.

Charitable Remainder **Unitrust**

The charitable remainder unitrust pays you a fixed percentage of the fair market value of the trust assets, as revalued each year. Like the annuity trust, you can claim a charitable deduction on your income tax form the year that you create the trust. The payments you receive are taxed as ordinary income, and in some cases as capital gain or tax-free return of principal.

For example, Mr. Evans irrevocably transfers \$100,000 to create a charitable remainder unitrust that will provide him with life income payments. The trust agreement provides (for illustration purposes) that he will receive 6 percent of the fair market value of the assets each year. The first year he receives \$6,000 ($\$100,000 \times 6\%$). One year later the trust assets are valued at \$120,000, so he is paid \$7,200 ($\$120,000 \times 6\%$). If the trust assets are worth \$110,000 at the beginning of the next year, he will receive \$6,600 ($\$110,000 \times 6\%$). And so on each year. If trust income exceeds the stated payout percentage, the excess is added to the unitrust assets and reinvested.

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Gift of Life Insurance

Some of our supporters no longer need their life insurance that was purchased years ago to provide for children or other family members. If that is your situation, please consider donating the policy to Happy Hill Farm Academy/Home. You may claim a charitable deduction for approximately the policy's cash surrender value, and the proceeds are completely removed from your estate.

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Charitable Lead Trust

Individuals with very large estates can use a charitable lead trust to benefit Happy Hill Farm Academy/Home and pass principal to family members with little or no tax penalty. It works like this: You transfer assets to a trust that provides payments to Happy Hill Farm for a term of years. Then the trust principal goes to your children, grandchildren, or others free of, or at greatly reduced, federal gift and estate tax. (Please note that a generation skipping tax (GST) is imposed on large transfers to grandchildren and others who are more than one generation younger than you.)

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Gifts of Retirement Plans

Many individuals today have large qualified retirement plans such as an IRA, 401(k), or Keogh plan. These assets have been growing tax-free for years. Once the owner begins to receive payments from the qualified plans, the distributions are taxed. The plans are also included in the owner's taxable estate. A retirement plan may be an excellent source of funds for making a gift to Happy Hill Farm Academy/Home.

One way to make a gift of your retirement plan is to create a charitable remainder trust through your will. It works like this: Your IRA assets will be transferred to a charitable remainder trust. There is no tax due because the charitable remainder trust is a tax-exempt entity. The trust will provide life income to the beneficiary (for example, your child) with an eventual gift to Happy Hill Farm. The beneficiary will pay income tax on the distributions from the trust. Your estate will receive an estate tax charitable deduction for the value of Happy Hill Farm's right to eventually receive the trust assets.

Gifts of Stock

Thank you for your interest in and generous support of Happy Hill Farm Academy/Home. Electronic delivery of stock shares is the most secure and expedient delivery process available and provides efficient internal control as well as cost savings. However, you may also transfer certificates directly. To help you facilitate a gift of stock, please use the following instructions.

Securities Delivered Electronically

If you have stock to donate, please call (or have your broker call) Tammy at Omega Securities - 1/800-999-5739. You will receive instructions from her.

Securities Delivered by Mail

Mail your unendorsed certificate(s) and stock power, in separate envelopes, by registered mail, to:

**Happy Hill Farm Academy/Home
3846 N. Highway 144
Granbury, Texas 76048**

Notification of Donor Intent

Regardless of the method chosen to deliver a gift of stock, the donor or the transferring broker must provide the following information, for audit and acknowledgment purposes:

Donor's name and complete address
Name and number of securities transferred
Specific Happy Hill Farm Academy/Home program to which gift should be directed, if any

You may provide a letter if you deliver your stock certificates by mail, or, you may give this information to Tammy at Omega Securities, 1/800-999-5739.

**Happy Hill Farm Academy/Home
3846 N. Highway 144
Granbury, Texas 76048
Phone: 254-897-4822
Fax: 254-897-7650
Email: donations@happyhillfarm.org**

Giving Real Estate

Selling real estate which has increased in value and giving the proceeds from the sale to a non-profit institution, like Happy Hill Farm Academy/Home may be unwise under tax laws. It may be to your advantage to sell certain real estate that has decreased in value and give the proceeds from that sale. Some of the largest gifts ever made to charitable institutions have been gifts of real estate.

You may give real estate outright...

When the value has increased, you may save the capital gain taxes and are allowed a tax deduction for the present fair market value.

When the value has decreased, sell the property, take a capital loss, give the proceeds from the sale and deduct the loss and the gift on your tax return.

Giving real estate while retaining an interest, you may give your home or farm and stay there...and receive a tax deduction, too.

Giving real estate for a life-time income, you may give your land, receive a life income and take income tax deductions.

For further information about a specific real estate transaction, please contact the Development Department at Happy Hill Farm Academy/Home.

Tributes: Creative Ideas for Remembering Others

We all know someone special - - someone we admire, respect, and love. Relationships like these are priceless, and honoring the persons who make them possible can be especially gratifying.

By giving in honor or in memory of others, you further a cause in which you believe, while creating a thoughtful tribute.

Who to Contact

Happy Hill Farm Academy/home highly recommends that donors consult with their own tax or legal advisors prior to making a planned gift. Happy Hill Farm Academy/home will recommend legal help if needed.

For further information about specific projects or areas of need, please contact the Development Department.

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