



Speaking Hope to the World

## **HOW TO GIVE A GIFT YOU CAN TAKE BACK**

*A SPECIAL PLANNING  
REPORT TO ASSIST YOU  
IN YOUR MINISTRY OF  
STEWARDSHIP*

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## HOW TO GIVE A GIFT YOU CAN TAKE BACK

When you:

- Are retired or planning for your retirement
- Want to be relieved of management of property
- Are concerned about your future security, and
- Are concerned about the future growth of Trans World Radio,

Then I invite you to consider a revocable gift agreement, a gift that you can take back.

### WHAT IS A REVOCABLE GIFT AGREEMENT?

There are many forms of revocable gift agreements, all designed for individuals who wish to make a substantial gift to Trans World Radio. However, because of the uncertainty of future financial needs, they may need to reserve the right to have the gift returned.

### ADVANTAGES OF THE REVOCABLE GIFT AGREEMENT

- You receive the satisfaction of making a substantial charitable contribution.
- You continue to receive income from your property for as long as you live.
- You avoid probate costs and administration expenses at the time of death.
- You can avoid management or investment worries and service fees.
- But most of all, you know that should you not need the property during your lifetime, any amount remaining in the agreement will be available to help

Trans World Radio in its ongoing programs.

### TYPES OF AGREEMENTS AVAILABLE

There are six types of agreements available.

#### *Revocable Trust Agreement*

A revocable trust agreement is designed for individuals who wish for Trans World Radio (as trustee) to invest the property transferred, and continue to pay income to you as it is received.

The terms of the trust can be specifically designed to meet your needs, and to provide for the actual investment and reinvestment of assets according to your long-range objectives.

The income is payable to you as earned, and you have the right to withdraw all or part of the principal upon request.

Any assets remaining in the trust at termination become a gift to Trans World Radio.

#### *Revocable Life Estate Agreement*

When the property you desire to transfer is your personal home or a farm, a revocable life estate agreement allows you to maintain complete control and receive all the advantages of the use of the property for your lifetime.

And it guarantees that when you no longer have need of the property, it will be available to Trans World Radio.



### **Totten Trust or Payable on Death Accounts**

The Totten trust or payable on death account allows you to invest in banking instruments or certificates of deposit, maintaining complete control over the investments during your lifetime. And it avoids probate when distributed at the time of death.

These agreements are established through title. A Totten trust would typically read, "Your name, as trustee in trust for *Trans World Radio*." A payable on death account would typically read, "Your name, payable on death (POD) to *Trans World Radio*."

With either designation, the beneficiary you designate has no access to the accounts during your lifetime. But immediately upon your death, outside of the probate process, the proceeds are transferred to *Trans World Radio*.

### **Interest Free Loan**

You can loan money to *Trans World Radio* and choose not to receive interest. By doing so, you make a current gift of the interest which the money earns.

There are limitations on the amount of money that can be transferred under an interest free loan. But within those limits, there will be no assumed taxable interest to you.

An interest free loan can be returned to you when requested during your lifetime, to your estate at the time of death, or can be made payable to *Trans World Radio*.

### **Beneficiaries of Life Insurance Policies**

You may wish to purchase a life insurance policy naming *Trans World Radio* as beneficiary. Or, you can change the beneficiary of an existing life insurance policy to *Trans World Radio*, when your personal needs for the policy no longer exist.

If you wish to reserve the right to change the beneficiary of the policy in the future, this can be accomplished by making the beneficiary designation revocable.

This provides flexibility, but allows the proceeds from the policy to be distributed directly to *Trans World Radio* at the time of death, outside of the probate process.

You can also name *Trans World Radio* to receive a percentage of the proceeds of a policy, with percentages distributed to other named beneficiaries, to coordinate the distribution for the life insurance proceeds with the overall distribution from your estate.

### **Beneficiary Arrangements on Retirement Plans**

When an IRA, 403(b) or 401(k) plan is payable to your personal beneficiaries, it is taxed both as an estate asset at death, and as income to the beneficiaries. The combination of both taxes can exceed 70%.

By naming *Trans World Radio* as beneficiary, you can fulfill your charitable distribution desires, and taxes are avoided.



In addition, at time of retirement, when you select systematic distribution from your qualified retirement plan, there may be options which provide guarantees beyond your life.

Payments could be for your life, but guaranteed for a period of years. Or payments could be made for your life and guaranteed that a designated amount will be paid.

In either case, should your death occur prior to the guarantee being paid, Trans World Radio would receive any unpaid amounts, if you named them as beneficiary.

### DESIGN OF AGREEMENT

Each of the above agreements can be designed to provide protection for you during your life only, or can be continued for the benefit of a survivor for as long as he or she lives.

### TAXATION OF A REVOCABLE AGREEMENT

- Because you have reserved the right to have your gift returned to you in case of financial reverses or other need, there is no charitable deduction at the time of the transfer of your property to Trans World Radio.
- The income you receive is taxable to you as earned, just as it would have been had you not established the agreement.
- There are no gift tax implications to a revocable gift agreement.

- The amount of your property which is distributed to Trans World Radio at your death (or at the death of the surviving beneficiary) qualifies for a charitable deduction, and therefore is not subject to estate taxes.

### CASE STUDY - MRS. JOHNSON

Mrs. Johnson recently retired after teaching for 35 years. During her career, she invested her savings in a mutual fund, which has increased in value.

She is satisfied with the income and the growth of the fund, but wants to make sure that it will be available to help fund the future programs of Trans World Radio when she no longer has need of the income.

In reviewing her situation, it seemed important that Mrs. Johnson be able to have the gift returned in case of need, even though she would not receive a current income tax charitable deduction.

The trust agreement guarantees that Mrs. Johnson's property will be distributed directly to Trans World Radio at the time of her death.

She has the satisfaction of knowing that the property which she has been able to accumulate during her lifetime will be used to help fund Trans World Radio's programs at her death.



### **CASE STUDY - MR. AND MRS. SMITH**

Mr. and Mrs. Smith have spent considerable time building and landscaping their home. They have entertained guests, and enjoyed many special times around the family table.

The Smiths desire that when they are no longer able to live in their home, it will become the property of Trans World Radio.

After counsel, it was decided that they would deed the property to Trans World Radio, reserving for themselves the lifetime use of the property. They also entered into an agreement which allows the house to be returned to them if they desire, or to be sold and the proceeds invested to produce income, should they no longer desire to live there.

### **HOW TO ESTABLISH A REVOCABLE GIFT AGREEMENT**

- Contact your legal counsel or a representative of Trans World Radio, to discuss your goals and objectives.
- When you are comfortable that the agreement outlined meets your objectives, we will assist you to make sure that it is implemented.

- Income earned by the agreement will be paid to you according to the terms of the agreement.
- If the agreement is a trust agreement, Trans World Radio or your trustee will provide you information concerning the tax treatment of the income you have received during the year.

### **CONCLUSION**

I hope that this information on the Revocable Gift Agreement is of interest and value to you. It provides an opportunity for you to make a substantial gift to Trans World Radio, while reserving the right to have your gift returned in case of future need.

I also hope you will find that it fits well in your overall plan of giving, and that you will consider your transfer today.

We would be happy to provide further information for you on how a Revocable Gift Agreement will benefit you personally. Please call us at 919.460.3700, or return the enclosed card.



## QUESTIONS FREQUENTLY ASKED

### *Q. Are revocable gift agreements designed for wealthy people?*

**A.** No. In fact, quite to the contrary. Many times the tax benefits of an irrevocable gift are important for wealthy individuals, because they do not need to have access to the principal of the gift.

The revocable gift agreement is designed for individuals who need the security of the ability to have their gift returned, should circumstances require it.

### *Q. How financially secure is Trans World Radio?*

**A.** While Trans World Radio is financially secure, it is important to understand that our financial security is immaterial to the financial security of your agreement. If we serve as trustee of your agreement, the strength of the property placed in the trust is what provides your financial security.

### *Q. Are my income payments always the same?*

**A.** No. For the revocable trust agreement, the income you receive is the income actually earned by your assets. Because the life estate agreement is created with your personal residence or other real property, there is usually no income produced. But if there is income produced, you receive it. For all other revocable gift agreements, the income is the same as if there was no charitable beneficiary to the agreement.

### *Q. What happens to my agreement upon my death?*

**A.** If the agreement is for your life only, upon your death the assets held in the

agreement are made available to the charitable beneficiary to carry out its programs.

If your agreement covers the life of another individual who survives you, the agreement will continue until the death of that individual, at which time it will terminate and the assets will be distributed to the charitable organization.

### *Q. Can I make additional contributions to my agreement?*

**A.** Yes.

### *Q. When I establish a revocable gift agreement, can I withdraw the funds later?*

**A.** Yes. The agreement is revocable, which means that at any time financial reversal or other circumstances make it necessary for you to withdraw the funds, all or part of them will be returned to you upon request.

### *Q. Are there any restrictions upon withdrawal?*

**A.** Revocable gift agreements have no restrictions as to time of withdrawal. Naturally, they do require a period of working time for the transfer, which is usually stated in the agreement.

### *Q. Can I establish a revocable gift agreement and make another individual the beneficiary of the income?*

**A.** Yes, this is often done as part of an individual's total estate plan. You should consult your tax adviser for gift tax implications.



**Q. Will my revocable gift agreement be part of my taxable estate?**

**A.** If the agreement covers your life only, the assets go directly to charity upon your death, completely avoiding estate taxes. However, if the agreement covers the life of a survivor other than a spouse, there may be estate tax implications. In either case, the agreement will probably be excluded from the probate estate.

**Q. Is my income absolutely guaranteed?**

**A.** The guarantee of your income is secured by investment of the assets. If it is a trust agreement, the trustee has full responsibility to maintain prudent investments.

**Q. With the revocable trust agreement, what secures my agreement when the property I transfer is sold?**

**A.** As noted above, the trustee is required to reinvest the proceeds in “prudent” investments for your security. At no time is any property transferred or sold from your trust without proper security in return. It is also Trans World Radio’s policy to secure your approval before any sale or repurchase of property.

**Q. Can I create a revocable gift agreement in my Will?**

**A.** Yes, you can insure a safe, reliable income for family or friends by establishing a revocable gift agreement in your will. However, many times other agreements will be more beneficial to your estate.

Before you establish a revocable gift agreement in your will you should review the advantages of the charitable remainder trust, charitable gift annuity or irrevocable life estate agreement. We will be happy to provide you full detail on these agreements, upon request.

**Q. How do I withdraw property from my revocable gift agreement?**

**A.** If you desire to withdraw property from your agreement, you notify the trustee, financial institution or charitable organization (depending on the type of agreement) of your intent. The terms of the agreement govern the process of withdrawal, but in an emergency, even this process may be flexible to meet your needs.

**Note:** The information in this planning report is of a general nature only, and should not be interpreted as legal advice.

