



## *A private not for profit organization advocating adoption*

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Panhandle State Bank  
and its locally operated divisions  
Intermountain Community Bank  
Magic Valley Bank

As you consider your options to provide charitable support to Panhandle Animal Shelter, these primary options have many positive benefits both to you, our donor, and to Panhandle Animal Shelter. We can assist you and your advisors, if applicable, in determining the proper gift or gifts that will best achieve your goals and maximize your support of Panhandle Animal Shelter. As a local charity with focus on providing the maximum benefits to those we serve, we have sought the assistance of the *Trust & Wealth Management Department* of Panhandle State Bank, including its divisions Intermountain Community Bank and Magic Valley Bank, to provide assistance and support for administering our planned giving program. We are pleased to be able to offer the assistance of the bank to our current and potential donors as they contemplate making a charitable gift to Panhandle Animal Shelter and we appreciate the bank's assistance in the support they provide. The typical forms of making charitable gifts to Panhandle Animal Shelter are described below. Some of the options are complicated, the details of which the bank can assist in developing. Furthermore, dependent upon the type of gift, the bank may continue to serve as custodian or manager of the gifted property or trustee of the charitable trust.

- 1. Gift of Cash.** The simplest and most common way to make a charitable gift is a gift of cash. Donations of cash may be fully deductible if you itemize deductions on your tax return in the year of contribution. Since Panhandle Animal Shelter is a 50% charity, you may deduct the entire cash contribution up to 50% of your adjusted gross income (AGI). For any portion of your deductible contributions that exceed 50% of AGI, that excess contribution can be carried forward for up to five years. To complete a gift of cash, simply bring to us a personal check made payable to Panhandle Animal Shelter or alternatively we can provide instructions to have your cash gift transferred by your bank directly into our account.
- 2. Gift of Securities.** A charitable gift of appreciated securities can compound your tax benefits. Generally applicable to stocks that have increased in value and that you have owned for more than one year, you can transfer those securities to Panhandle Animal Shelter and avoid the capital gains tax that would be due on the appreciation if you had sold the securities. Furthermore, the charitable deduction is equal to the full fair market value of the security up to 30% of your AGI. Any unused portion of the contribution can be carried forward for up to five years. While bonds may also be gifted, the capital gains are usually smaller than that of stocks. Therefore, the avoidance of capital gains tax, while a benefit, is less significant than the gift of securities with greater capital appreciation. A transfer of securities can be completed very simply by providing transfer instructions to your broker or financial advisor directing them to transfer the securities "in-kind" directly to our securities account at Panhandle State Bank, Trust &

Wealth Management. You can also transfer securities represented by a paper certificate by simply signing a Stock Power (with signature guaranteed) transferring the certificate to Panhandle Animal Shelter and delivering the original stock certificate and Stock Power to us.

- 3. Bequests.** Whether your estate plan is in the form of a Last Will and Testament or a Living Trust, you can bequeath to Panhandle Animal Shelter a particular amount of money, a particular piece of property or other assets or a percentage of your estate. If you have an estate large enough that may be subject to federal estate tax and/or state inheritance tax, a bequest of a portion of your estate to charity is a direct deduction against your taxable estate and may save estate taxes by 45% or more of the amount of the charitable bequest. To complete the bequest, simply provide in your will or trust a specific bequest of the amount or assets you desire to transfer at death to Panhandle Animal Shelter. If you already have a will or trust, your attorney can assist in preparing a codicil to your will or amendment to your trust to include the specific bequest. If you do not currently have an attorney with whom you work, we can assist in referring you to an attorney who can complete this simple modification.
- 4. Gift of Bank Accounts and CDs.** It is very easy to name Panhandle Animal Shelter as the residual owner of your bank account or certificate of deposit following your death. Simply name us as the “payable-on-death beneficiary” (“POD”). You continue to own the bank account or certificate of deposit during your lifetime and have them available for your use. Upon death, the remaining portion of the account or CD passes directly to us without going through probate. This gift can be completed by simply asking your banker to modify the account ownership to a POD designation with Panhandle Animal Shelter named as the POD beneficiary.
- 5. Gift of Retirement Plan Assets.** Since retirement plan assets have the greatest potential tax costs to both your estate and to your heirs, a charitable gift of your retirement plan assets to Panhandle Animal Shelter can be one of the most efficient estate and income tax planning means of making a charitable gift. At death, plan assets such as a 401(k) Profit Sharing Plan or IRA account are included in your estate for federal and state estate tax purposes. Additionally, when your heirs remove funds from the retirement account, the full amount of those funds is generally taxable to them as ordinary income. Of all the simple direct ways of giving to charity, this method has the potential for saving or avoiding the most in taxes allowing for you to pass more tax favored assets to your family. To complete a gift of retirement plan assets, simply complete or modify your beneficiary designation form for the Plan naming Panhandle Animal Shelter as the beneficiary of the account. In the case of IRAs, contact your bank, brokerage or financial advisor where the account is held or managed and complete the change of beneficiary form they provide. In the case of benefit plans such as a 401(k) plan, contact the plan administrator for the required form.
- 6. Charitable Gift Annuity.** A charitable gift annuity often involves a contract between the donor and the charity where in return for a charitable gift, the charity agrees to pay you a fixed dollar amount for your lifetime. Generally, only larger charities are able to administer these programs directly and the risk exists where the charity may not be able to fulfill its obligation to you in the future. Since Panhandle Animal Shelter does not maintain expensive staff to administer a

charitable gift annuity program and further to reduce the risk to you, we have developed a charitable gift annuity program utilizing a commercial fixed annuity contract issued by a high credit quality insurance company. In affiliation with Panhandle State Bank, we execute a simple agreement with you where we receive your charitable gift of cash or other property and then purchase an annuity contract through Panhandle State Bank with those assets or a portion thereof naming you as the annuitant on the annuity contract. The insurance company then pays the monthly or quarterly annuity payment directly to you. Since Panhandle Animal Shelter will be the beneficiary of the annuity contract, we will receive the remaining annuity balance upon your death. To ensure that a balance remains for charity, we purchase a special kind of annuity that guarantees a beneficial interest of 50% of the amount of your gift. Gift annuities are very attractive ways of making charitable gifts while preserving for you consistent and reliable income for the rest of your life. These annuities are also very flexible so that they can continue paying to you and another person jointly for the life of the one that lives longest or to you and then after your death to another person for their life. Since the amount of the annuity payments to you and the amount of the charitable deduction is a function of the amount of the gift and the length of time that annuity payments will be paid to you and potentially another person, the amount of the annuity payment and the charitable deduction may be greater for an older person as the sole annuitant than a gift by a younger donor or where you may have a joint annuitant. You may also receive an additional benefit if you make a gift of appreciated property which we will then liquidate and apply the net proceeds to purchase the annuity contract for your benefit. This may allow the avoidance or deferral of the capital gains on the appreciated property. By using a commercial annuity solution, we have some flexibility to tailor the payout, charitable gift and charitable income tax deduction amount to meet your specific needs.

- 7. Charitable Remainder Trust.** A charitable remainder trust is created by you executing an irrevocable trust identifying one or more charities as the remainder beneficiary of the trust assets. The bank will serve as the trustee of the trust. Under the terms of the trust, you will retain the right to receive payments either for life or a specific term of years. The trust is created with the assistance of Panhandle Animal Shelter by either your attorney or an attorney referred by us. The payments retained by you may be determined in several ways, including: (a) a charitable remainder *annuity* trust (CRAT) which pays a fixed amount to you each year. The amount of the payment is based on an actuarial calculation that considers the current interest rate, trust value and your age or the length of the term; (b) a charitable remainder *unitrust* (CRUT) which recalculates the distributions annually by multiplying the unitrust percentage by the value of the trust determined as of the last day of the prior year; (c) a *net income makeup* charitable unitrust (NIMCRUT) which is a variation on the unitrust where the annual distributions are the lesser of the recalculated unitrust amount or the net trust accounting income earned by the trust. If the income is less than the unitrust amount, the shortfall is accounted by the trustee in a cumulative manner. Then, if in any year the net income earned by the trust exceeds the unitrust amount, the trust will pay to the donor the excess income to the extent of the prior year's accumulated shortfall balance; and (d) a charitable remainder *flip* unitrust which starts out as a standard unitrust and then upon the occurrence of a predetermined condition that is not within your control (i.e. the donor attaining age 68), the trust flips to a NIMCRUT. The selection of the

appropriate payout option for you depends upon your goals. A bank representative can assist you in selecting the appropriate payout option.

You will receive a charitable income tax deduction based on the value of the gift made to the trust reduced by the value of your retained interest. Furthermore, if the trust is funded with appreciated property, you may avoid or defer recognition of the capital gains on the sale by the trust of the appreciated property.

- 8. Charitable Lead Trust.** A charitable lead trust operates conversely from a charitable remainder trust. In a charitable lead trust, which is also an irrevocable trust, you instead give the current income interest to one or more charities with the charity receiving either a fixed annuity amount (CLAT) or a variable unitrust amount (CLUT). Upon termination of that income interest, the trust will terminate and the remaining trust assets will be distributed to your heirs. While a charitable lead trust that ultimately distributes its assets to your heirs does not generate a current charitable income tax deduction, the great benefit, in addition to supporting charity, is the reduction of potential gift and estate taxes that may be due upon the transfer of assets to your heirs. This type of charitable giving works particularly well when funded in a low interest rate environment.
- 9. Gift of Real Estate.** If you own real property that is not subject to a mortgage, has appreciated in value and is property you no longer need or use, a gift of that real property to charity is a simple donation that creates substantial tax benefits to you. First, you will be able to take a current charitable income tax deduction equal to the fair market value of the property as of the date of the gift. Furthermore, since the property is later sold by the charity, you will avoid recognition of the capital gain tax on the appreciated value. This gift is completed by simply executing and recording a deed transferring the property interest to Panhandle Animal Shelter.
- 10. Retained Life Estate in Gifted Real Estate.** In the event you desire or need to retain the right to use the real property after the gift to charity, such as may be the case with a gift of your home, you can transfer by deed the real property to Panhandle Animal Shelter and retain by reservation in the deed the right to live in or use the real property for your lifetime, the joint lifetime of you and another person or for a term of years. You may take an immediate charitable income tax deduction based on the fair market value of the property less the value of the retained interest. Upon termination of the retained interest, your interest in the property will terminate and the charity will then have outright ownership of the property.
- 11. Bargain Sale.** A bargain sale occurs when you sell appreciated property to a charity for less than its fair market value. The difference between the sales price and the fair market value is your charitable income tax deduction. A bargain sale often provides a better result than if you had sold the property, recognized the capital gain and then made a charitable gift of the remaining capital gain amount.
- 12. Gift of Life Insurance.** Instead of canceling life insurance policies you no longer need, you can either gift the policy outright to Panhandle Animal Shelter or continue to maintain the policy and name the charity as beneficiary. Additionally, you can acquire a new life insurance policy

specifically for the purpose of donating it to charity. The income tax deduction varies dependent upon which option is used.

The planned giving program of Panhandle Animal Shelter is managed and administered through the assistance of the *Trust & Wealth Management Department* of Panhandle State Bank, including its divisions Intermountain Community Bank and Magic Valley Bank. Persons considering making a charitable gift to Panhandle Animal Shelter may contact the bank directly for assistance by contacting the following:

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