

# OPERA SAN JOSÉ

## IRENE DALIS LEGACY SOCIETY



*i>a* A PLANNED GIVING GUIDE

# ESTATE PLANNING THROUGH THE IRENE DALIS LEGACY SOCIETY

BY JAMES E. JACKSON

**W**e're sure you believe as we do in the value of Opera San José in our cultural community, so we ask you to please consider a legacy gift. There are many ways to remember Opera San José in your estate plans. These methods are briefly described below, and we would be pleased to provide you with more detailed information. We are also pleased to let you know that naming Opera San José in your will, trust or other estate plan qualifies you to become a member of the Irene Dalis Legacy Society.

- Leave a bequest in your **will** (a dollar amount, a percentage of your estate or a particular asset).
- Name Opera San José as beneficiary of a portion of the assets remaining in your **living trust** after your lifetime.
- Name Opera San José as beneficiary of a portion of your **IRA, 401(k)** or other **qualified retirement plan**. These assets are taxed more heavily than other assets if left to heirs, but pass tax-free to charitable organizations.
- Name Opera San José as beneficiary of a portion of a **life insurance policy**.
- Donate a **personal residence, vacation home**, or other personal property now, reserving lifetime use. Even though your use of the residence will not change, you will receive an immediate income tax deduction for a substantial portion of the value.



You can also become a member of the Irene Dalis Legacy Society by establishing a plan that will provide you with enhanced lifetime payments and immediate income tax benefits.

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## FROM THE PRESIDENT

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institutions of higher learning in the country. And that is, where or nearly 75 years, Preferred University has been one of the top

we want to stay—at the top. But to do so, we need your help.

With each passing year, the needs of our society grow more demanding and complex, and the role of a solid education deepens. Unfortunately, however, even as our mission increases in importance, government funding for education cannot keep pace. To make a difference, we must continue to find ways to guarantee a quality, affordable education to deserving students.

That is where you come in. Your donations, whether current or deferred, become part of our endowment fund. You are probably familiar with the concept of an endowment fund. It is a pool of money that can provide you with estate tax savings and possibly even a lifetime income.

Our foundation office is here to provide our alumni and friends with further information about how you can contribute to our mission while benefiting yourself and your heirs. Just contact us, and we will help you choose a gift to maximize your benefits and ours.

# CHARITABLE LEAD TRUSTS

PRESERVE AN INHERITANCE

**A**re you concerned about the possibility of the government taking a huge part of the assets you were planning to leave your heirs?

There is a strategy to pass assets to your family with significant estate tax savings while making a gift to us. It is called a *charitable lead trust*.

After we receive income from assets in the trust for a period of years, the principal goes to your family, with estate or gift taxes usually reduced or even eliminated.

The lead trust is an exceptional way to transfer property to your children or other heirs at minimal tax cost. It is ideal if you are willing to forgo investment income on an asset but do not want to have estate taxes reduce the principal passed to heirs.

With a lead trust, you carry out your philanthropic plans over the coming years and save on taxes.

## BENEFITS

- Fund the trust during your lifetime or through your will.
- Support our mission through annual income payouts.
- Reduce your taxable estate and potential gift taxes.
- Keep assets in the family.

# THE REWARDS OF CREATIVE GIVING

DESIGN A PLAN THAT FITS **YOUR** NEEDS

**A**s we confront the challenges of the future, we know that the generosity of those who assist us will make all the difference in our success. That is why we seek your support.

We also, however, want to make sure that you benefit from making a gift to us.

How does this happen? In addition to the satisfaction that comes from knowing you have made a difference in the lives of others, the best gift plans improve your financial and tax situation—often right away.

This booklet allows you to explore opportunities that combine your philanthropic giving with your financial needs and tax-planning strategies. Through creative gift planning you can secure your own financial future, as well as ours.

To design a gift that benefits the people and organizations you care about most, we recommend that you obtain the professional counsel of an attorney who specializes in estate planning. We can work with your advisors to help you plan for tomorrow and receive maximum benefits today.

## POTENTIAL BENEFITS

- Receive a current income tax deduction.
- Avoid long-term capital gains tax.
- Increase income and effective rate of return.
- Reduce estate and gift taxes.

# A CURRENT WILL OR TRUST

## VITAL DOCUMENTS

**H**ave you put off making or updating your will or living trust? Maybe you think it costs too much to do. Perhaps you are having a hard time deciding how to leave your money, or you may simply have an aversion to confronting your mortality.

Drafting these documents may seem like a daunting task at first, until you realize all the good that comes from having them.

A bequest from either a will or living trust lets you pass any amount you wish to us free of estate tax. You can give cash, specific property or a percentage of your estate, with restrictions or without.

To make sure your will accomplishes your goals according to your wishes, we recommend that you obtain the professional counsel of an attorney who specializes in estate planning.

### BENEFITS

- Provide for your family after your death.
- Distribute your assets according to your wishes.
- Save on estate taxes with proper planning.
- Leave a legacy without giving up assets.

# CASH

A QUICK AND **EASY** GIFT

**A** cash gift by check is one of the most common and easiest methods for making an outright charitable contribution.

If you itemize income tax deductions on your tax return, the first tangible benefit of making a gift by cash or check is the tax deduction for the full value of your gift.

The annual limitation on the use of charitable deductions claimed for gifts to public charitable organizations is 50 percent of your adjusted gross income for cash gifts. Any unused deduction can be carried over and used for up to five additional years, giving you six full years to use the deduction.

The second benefit is seeing the immediate results of your generosity. Further, you are demonstrating a strong commitment to help support our mission and contributing to our success.

## BENEFITS

- Receive a current income tax deduction.
- Reduce your potential estate taxes in the future.
- Determine the exact amount of your desired support.
- Experience the joy of giving today.

# WHAT TO GIVE

## ASSETS WORTH DONATING

**A**ny type of asset that you irrevocably donate to a charitable organization like ours results in a current income tax deduction, but there may be other tax benefits from your contribution.

If you contribute appreciated securities that you have held more than one year, you have the added benefit of avoiding tax on the gain.

You can also give us tangible personal property (like an art object, prized collection or antique) and take a deduction for its full fair market value if the gift is used for our exempt function.

These are but two of the types of assets you can donate outright to us today. Using assets other than cash allows you more flexibility when planning your gift, and there are even more potential benefits if you plan your gift creatively.

### BENEFITS

- Receive a current income tax deduction for gifts of securities.
- Provide relief from capital gains tax with gifts of securities.
- Make meaningful gifts with donations of personal property.
- Help fulfill our mission with your contributions.

## EXAMPLE

### DONOR

Dave has stocks currently valued at \$20,000 that he purchased for \$4,000 several years ago, which will result in a \$16,000 capital gain if he sells the securities. He is in a 35 percent marginal income tax bracket.

### TAX-SAVING STRATEGY

Dave should consider donating the stock to his favorite charitable organization.

### BENEFITS

- Dave receives an income tax charitable deduction for the full fair market value of \$20,000—saving him \$7,000 ( $\$20,000 \times 35$  percent) in income taxes.
- Dave bypasses the \$16,000 capital gain, saving \$2,400 in his 15 percent capital gains tax bracket ( $\$16,000 \times 15$  percent).
- The total tax savings from capital gains *and* income taxes is \$9,400.

# YOUR RETIREMENT PLAN ASSETS

## COSTLY TO INHERIT

**D**id you know that most retirement plan assets are facing double taxation? Assets remaining in retirement plans funded with pretax dollars are considered “income in respect of a decedent.” So not only is the amount diminished by estate taxes, but the recipient also must pay income taxes on it!

If you can make other provisions for your family, there is a better option for your retirement plan assets—a charitable gift.

To implement your wishes, first consult your advisor, then instruct the plan administrator of your decision and sign whatever form is required. For an IRA or Keogh plan you administer personally, notify the custodian in writing and keep a copy with your valuable papers.

## BENEFITS

- Avoid all income and estate taxes when you name us as the primary beneficiary.
- Receive partial savings when you give us a specific amount before giving your family the remainder.
- Name us as the contingent beneficiary, which allows for greater flexibility.
- Donate retirement plan assets, which could be the most cost-effective gift you can make.

# EXAMPLE

## BILL'S ESTATE PLAN

Bill's estate contains his personal possessions, an insurance policy and a sizable profit-sharing account. Bill wants to provide for his children, but he also wishes to leave a charitable gift—with the rest of his estate passing to his children.

## TAX-SAVING STRATEGY

He should consider naming his favorite charitable organization as beneficiary of his profit-sharing account.

## BENEFITS

- The value of Bill's gift qualifies for an estate tax charitable deduction.
- Assets in the profit-sharing account pass to the charitable organization free of any income tax obligation.
- Bill's children benefit from other assets in his estate that are free of income taxes.

# CHOOSE THE OPTION

THAT MATCHES YOUR GOALS

YOUR GIFT	Bequest	Outright gift of cash	Outright gift of securities	Outright gift of personal property	Gift of retirement assets
YOUR GOAL	Defer a gift until after your lifetime.	Make a quick and easy gift.	Avoid tax on capital gains.	Share your enjoyment of a collection or other personal item.	Avoid the twofold taxation on IRAs or other employee benefit plans.
HOW TO MAKE THE GIFT	Name us in your will or living trust. (Designate a specific amount, percentage or share of the residue.)	Simply write a check or make a cash donation now.	Contribute long-term appreciated stock or other securities.	Donate tangible personal property related to our tax-exempt function.	Name us as the beneficiary of the remainder of the assets after your lifetime.
YOUR BENEFITS	<ul style="list-style-type: none"> <li>• donation exempt from federal estate tax</li> <li>• control of your assets for your lifetime</li> </ul>	<ul style="list-style-type: none"> <li>• immediate income tax deduction</li> <li>• removes property from estate</li> </ul>	<ul style="list-style-type: none"> <li>• immediate charitable deduction</li> <li>• avoidance of capital gains tax</li> </ul>	<ul style="list-style-type: none"> <li>• charitable deduction based on the full fair market value</li> </ul>	<ul style="list-style-type: none"> <li>• allows you to make the gift from the most highly taxed assets, leaving better assets for family</li> </ul>

Gift of life insurance	Retained life estate	Gift of real estate	Charitable remainder trust	Charitable lead trust	Charitable gift annuity*
<p>Make a large gift with little cost to yourself.</p>	<p>Give your personal residence or farm now, but continue to live there.</p>	<p>Make a gift of property no longer needed and generate an income tax deduction.</p>	<p>Secure a fixed and often increased income, or create a hedge against inflation.</p>	<p>Reduce gift and estate taxes on assets you pass to children or grandchildren.</p>	<p>Supplement income with steady payments that are partially tax-free.</p>
<p>Change ownership on a life insurance policy you no longer need.</p>	<p>Designate ownership of your home to us, but retain occupancy.</p>	<p>Donate the property to us.</p>	<p>Create a trust that pays income annually; the principal is retained for a charitable organization.</p>	<p>Create a charitable trust that pays fixed or variable income to us for a specific term of years; the principal is retained for heirs.</p>	<p>Establish a charitable gift annuity contract with us that pays a set amount for life.</p>
<ul style="list-style-type: none"> <li>• current income tax deduction</li> <li>• possible future deductions through gifts to pay policy premium</li> </ul>	<ul style="list-style-type: none"> <li>• valuable charitable income tax deduction</li> <li>• lifetime use of residence</li> </ul>	<ul style="list-style-type: none"> <li>• immediate income tax deduction</li> <li>• reduction or elimination of capital gains tax</li> </ul>	<ul style="list-style-type: none"> <li>• variable or fixed income for life</li> <li>• immediate income tax charitable deduction</li> </ul>	<ul style="list-style-type: none"> <li>• reduces your taxable estate</li> <li>• property kept by your family, often with reduced gift taxes</li> </ul>	<ul style="list-style-type: none"> <li>• current and future savings on income taxes</li> <li>• fixed payments for life for one or two individuals</li> </ul>

\*Not available in some states or from some organizations

# LIFE INSURANCE

A VERSATILE TOOL FOR MANY PURPOSES

**W**hen you first obtained your life insurance policies, you obviously felt a need for them. Perhaps you do not need all that coverage today, yet you still have those policies.

If you are thinking about a contribution to us, a gift of your life insurance could be a sensible, as well as generous, course of action. If you make us owner of the policy, you will normally receive an income tax deduction for the policy's fair market value or cost basis, if lower, on the date of the gift. If you name us beneficiary of the policy (and retain ownership), you will receive an estate tax deduction for the insurance proceeds.

You can also use life insurance to replace the value of a different gift. For example, you could donate stock to us because of the tax advantages and purchase life insurance to benefit your heirs in the amount they would have received had you left them the stock.

## BENEFITS

### **Name us as owner.**

- Receive a charitable deduction when you name us as beneficiary and assign us ownership.
- Reduce your estate taxes because proceeds are removed from your estate.

### **Name us as beneficiary.**

- Obtain flexibility by naming us as beneficiary but keeping ownership.
- Name us as contingent beneficiary and secure your family's needs first.

# RETAINED LIFE ESTATE

AN OPTION THAT LETS YOU HAVE IT **BOTH** WAYS

Let us assume you like the tax advantages that a charitable gift of real estate would offer, but you want to continue living in your personal residence for your lifetime. Do you realize you can give us your home and continue living there?

It is true! This type of gift is called a *retained life estate*.

A gift of your home (including a vacation home or condominium) or farm, with a reservation of the right to use it for life, results in a charitable deduction on your income tax return.

## BENEFITS

- Use the residence for your life and/or another person's life.
- Receive income tax savings through a charitable deduction for a portion of your home's value.
- Reduce estate taxes.
- Make a gift of only partial interest in the property, and receive tax advantages.

# REAL ESTATE

## A TAX-WISE GIFT

**A**re you thinking of selling land or a building? Beware of capital gains tax!

If you sell your primary residence, you can exclude up to \$250,000 (\$500,000 if you are married) of the gain. This tax break does not apply to other types of real estate, however, so you may have a better alternative.

A charitable contribution of real estate—whether it is your personal residence, a vacation home, a farm, commercial real estate or vacant land—will give you numerous advantages.

When you give your home or other real estate to us, you create an enduring testimonial of your interest in our mission. Your personal satisfaction is also complemented by valuable tax benefits.

### BENEFITS

- Receive an income tax charitable deduction for the full fair market value.
- Avoid tax on the property's appreciation.
- Prevent the hassle of trying to sell the property.
- Make a gift to support a great cause, and reduce your taxable estate.

# CHARITABLE REMAINDER ANNUITY TRUST

A **GIFT TO US** WITH PREDICTABLE **BENEFITS TO YOU**

If you are disappointed in the yield from your current investments in the stock and bond markets, yet you want to avoid the capital gains tax should you sell, consider a charitable remainder annuity trust.

This plan will pay you, year after year, the same dollar amount you choose at the outset. The income payments are fixed, based on the starting valuation. Then after your (or other named beneficiary's) lifetime and the lifetime of the survivor beneficiary (if desired), the trust remainder is available to support our mission.

The charitable remainder annuity trust is more than an eventual gift to us. It lets you give away the tree and still keep the fruit, because you receive an income stream from your donation.

## BENEFITS

- Receive a fixed dollar income paid annually, semiannually, quarterly or monthly.
- Obtain a partial charitable deduction.
- Increase your income from a low-yield asset.
- Gain freedom from investment management.
- Avoid up-front capital gains tax on long-term appreciated assets used to fund the trust.

# CHARITABLE REMAINDER UNITRUST

## A GIFT WITH BUILT-IN FLEXIBILITY

A charitable remainder unitrust is like a combination of a gift and an investment plan. You place assets in trust, and you (and/or another beneficiary) receive lifetime income from them—then we receive the remainder.

With a unitrust, the amount you receive as income is a set percentage of the value of the trust assets, redetermined annually.

You also have the option of choosing one of five variations of unitrusts. A unitrust with a net income plus makeup provision, for example, pays only the actual trust yield, even if it is below the stated percentage. Then in later years, when the beneficiary needs more income, the trustee can invest the assets to generate a higher return and make up earlier deficiencies.

This option is excellent for devising a supplemental retirement plan. We can provide you with more details.

### BENEFITS

- Receive lifetime income (often greater than the yield on contributed assets).
- Obtain a sizable income tax charitable deduction.
- Avoid up-front capital gains tax if you donate long-term appreciated securities.
- Make a significant gift to one or more charitable organizations.

## EXAMPLE

### DONOR

Jane, aged 60, has stocks currently valued at \$100,000 and yielding a 2 percent dividend.

### GIFT VEHICLE

Charitable remainder unitrust

### HOW IT WORKS

Jane transfers the stock to the unitrust and arranges to receive in quarterly payments 7 percent of the market value of the unitrust assets as determined annually.

### BENEFITS

- Jane receives an income tax charitable deduction for the charitable portion.
- The first year she receives \$7,000 (7 percent of \$100,000), a \$5,000 increase in income.
- If the value of her trust increases, so will her income payments. Jane will then have a built-in hedge against inflation.

# THE HERITAGE CLUB

A SPECIAL SOCIETY FOR DONORS

To honor our friends who have put into practice such planned giving concepts as those discussed in this booklet, we have founded the Heritage Club. Donors who make financial or estate gifts of any size through wills, trusts and other planned gifts are recognized for their dedication to our mission.

As a Heritage Club member, you will have the satisfaction of knowing that you are continuing our tradition—helping to ensure the future strength of our organization through your generous support. Your name will be included on a special recognition wall, and you will receive a quarterly newsletter for Heritage Club members.

If you have already named us as the beneficiary of a planned gift, we welcome you as a Heritage Club member. If you would like more information about how you can become a member—in a manner that benefits you, your heirs and us—call our foundation office.

The information in this publication is not intended as legal advice. For legal advice, please consult an attorney. Figures cited in examples are for hypothetical purposes only and are subject to change. References to estate and income tax include federal taxes only. Individual state taxes and/or state law may impact your results.

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- A **charitable gift annuity** will pay you a set dollar amount each year in return for a gift of cash or stock. Rates range from 5.2 percent (at age 60) to 9.5 percent (at age 90), and after-tax yields are even better.
- A **deferred charitable gift annuity** will pay you a set amount at a future date and works much like an IRA but has charitable benefits.
- A **charitable remainder trust** will enable you to convert appreciated stock, real estate or a valuable collectible into lifetime income without paying capital gains tax.

Take care of a surviving loved one through a legacy gift to Opera San José. Arrangements can be made to:

- Provide **lifetime income** to your spouse, an unmarried partner, a sibling, a friend, a parent, an adult child, etc.
- Provide a **future inheritance** to a child or grandchild.

The legal designation for gifts to Opera San José is:

**OPERA SAN JOSÉ** a California public benefit corporation, located at 2149 Paragon Drive, San José, CA 95131-1312. Tax ID #77-0009773.

For further information, please contact the Development Office at 408.437.4463 or [perry@operasj.org](mailto:perry@operasj.org). Visit us online at [www.operasj.org](http://www.operasj.org).

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*The mission of Opera San José  
is to provide a showcase for  
outstanding emerging opera  
artists and to develop, entertain  
and educate a broad-based  
active audience from the  
extended community and  
around Santa Clara Valley.*

# OPERA SAN JOSE

2149 Paragon Drive  
San José, CA 95131-1312  
(408) 437-4450

[www.operasj.org](http://www.operasj.org)