Timing Is Everything

Knowing when to act is often as important as knowing what needs to be done. This is especially true when it comes to tax planning. Here are some ideas for year-end 2019, along with other suggestions for next year:

Before January 1, 2020:
- Use all the funds in your flexible spending account to avoid losing the money. Buy a new pair of prescription glasses, stock up on medications or see your health care provider for a check-up.
- Take required minimum distributions from IRAs and 401(k) accounts to avoid a 50% penalty. Keep in mind those who have reached age 70½ can make direct gifts from their IRAs to The Salvation Army to satisfy some or all of the required minimum distribution. While there is no income tax deduction for the gift, income tax that would otherwise be owed on the withdrawal is avoided. Donors can give up to $100,000 annually with no taxes due.
- Consider gifts to The Salvation Army that generate 2019 charitable deductions. You can mail a check postmarked as late as December 31. For gifts of stock or mutual fund shares, more time may be needed to complete the transfer.

After December 31, 2019:
- If you’re eligible to participate in a retirement plan, make your 2020 contribution as soon as possible, giving the funds more time to grow tax-deferred. If you haven’t already done so, you have until April 15, 2020, to make your 2019 contribution to an IRA—up to $6,000, with an additional $1,000 make up contribution for those age 50 and older.
- If you anticipate a large refund on your 2019 taxes, ask your tax adviser how to avoid receiving one in 2020. A big tax refund means you’ve made an interest-free loan to the IRS.
- Eligible taxpayers can make an IRA gift early in the year to The Salvation Army.

Always the right time:
- Have your estate plans reviewed by your attorney to see if changes are needed. Remember, you can add a gift to The Salvation Army through your will or living trust.
- Review beneficiary designations on retirement plans, insurance policies and financial accounts to ensure they still reflect your wishes and are coordinated with the rest of your estate plans.
- Call The Salvation Army about gifts that provide income for life to you or your loved ones, with eventual benefit for our programs.
Seize an Opportunity—Call Us Before You.

Life presents people with a variety of financial decisions and opportunities, some that arise only once in a lifetime. Making a gift to The Salvation Army alongside your financial and estate planning can be an excellent and satisfying strategy. We encourage you to call our office before you.

- **Sell a business.** Gifts of company stock or other assets can save tremendously on income and capital gains taxes. Call us before you make final plans to sell or liquidate your corporation. It's an opportunity to make a significant gift at an extremely low cost.

- **Name beneficiaries.** Many friends have IRAs, 401(k)s, and other financial accounts that will pay to named beneficiaries. Income taxes can be reduced for heirs if these funds go into a trust that pays loved ones income for life, then eventually provides for The Salvation Army.

- **Sell investments at a profit.** The sale of stocks, real estate or other investments that have increased in value since you bought them will trigger capital gains tax, erasing some of the cash you have left to reinvest. A trust arrangement or a charitable gift annuity that pays you (or you and another beneficiary) income for life and then distributes the assets to The Salvation Army escapes the capital gains tax, enabling you to increase your income.

- **Roll over CDs.** You can retain payments for life, receive a substantial income tax charitable deduction and benefit Army programs by arranging a charitable gift annuity. A portion of the annual payments may be tax free for your life expectancy.

- **See an estate planner.** Consider helping The Salvation Army through your will or living trust by including a charitable gift in your estate plan.

- **Buy life insurance.** You can name The Salvation Army as a beneficiary of a new policy or make a gift of an existing policy that is no longer needed for family security.

- **Make any major gift to The Salvation Army.** Our staff would be happy to discuss your planning goals and needs to outline ways a gift could benefit both you and The Salvation Army.
It’s Easy to Make Minor Changes in Wills with Codicils

To make a small change in your will, you might need only a “codicil.” This is an amendment that preserves most of the provisions of your existing will and can be an easy way to include a gift for Salvation Army programs. Because a codicil must comply with the same state rules regarding witnesses and signatures, be sure to work with your attorney.

Remember that you don’t have to change your will to benefit The Salvation Army. You can name us as a beneficiary of a life insurance policy or IRA simply by filling out a new beneficiary form. Savings accounts, CDs and brokerage accounts can also have beneficiary designations.

Hurry! The Clock Is Running on 2019 IRA Gifts

IRA owners who have reached age 70½ know they must take annual distributions—and pay income tax on the full amount—from their accounts each year. There is another option that not only saves tax but allows you to provide important assistance for Salvation Army programs. IRA owners can direct the account custodian to send a check to The Salvation Army. Although no charitable deduction is available, friends who have all or a portion of their required minimum distribution (up to $100,000) sent to The Salvation Army avoid the income tax they would otherwise owe. Please call our office before making gifts from your IRA so we may thank you and provide the proper substantiation.
Charitable Gift Annuities for All Reasons

Many friends of The Salvation Army have discovered the advantages of charitable gift annuities, and some have also found the gift annuity can be an excellent way to provide for loved ones. It is, of course, possible to retain the payments for life from your gift of cash or investments that have grown in value.

Depending on your age and whether you name another to share the payments, your gift annuity will generally make fixed payments of 4.7% to 9.5% of the amount transferred. You’ll also be entitled to an income tax charitable deduction and some tax-free income. But the most important reason friends give for establishing a gift annuity is their desire to support Salvation Army programs. How else can a gift annuity help?

- Valerie has been sending her mother a monthly check to help with living expenses. She could fund a gift annuity that will make payments to her mother, for which Valerie will be entitled to an income tax deduction.

- The nurse who cared for Hank’s wife for the past eight years is retiring. Hank plans to fund a charitable gift annuity that will make fixed payments to the nurse for life, similar to a pension plan.

- George wants to provide retirement help for his two nephews in his estate plan. He has decided, instead, to establish gift annuities today, for which he is entitled to an income tax deduction. He directs that payments are to begin when the nephews reach age 65. George’s charitable deduction and the annuities for the nephews will be larger because payments are postponed.

From the Office of Planned Giving

In this newsletter, we provide help and information for your personal planning and key financial or estate issues. Please contact us if you want additional information about such matters—or to find out more about the work of The Salvation Army. We encourage you to send or call for our new publication, Deferred Rewards Worth Waiting For!

Major Gregory Hartshorn
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Please call our office for the appropriate wording whenever you are preparing a gift through your will, living trust, IRA or other beneficiary designation.

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The purpose of this newsletter is to provide accurate information of a general character only. For specific recommendations, each person should consult his or her own qualified professional adviser.
SPECIAL GIFT ANNUITIES FOR THE UNDECIDED

One of the many advantages of charitable gift annuities is the flexibility they offer our friends. Gift annuity payments can begin in the year they are created... or can be delayed until some later date such as retirement. Even donors who don’t know exactly when they want payments to begin can fund a gift annuity today, and wait until some later time to tell us when they want to start receiving payments.

Here’s an example of how a flexible deferred payment gift annuity can work:

Peter, age 60, thinks he might retire at age 66. He is considering a gift annuity, funded with $50,000 in appreciated stock for which he paid $10,000. Peter is concerned that if he encounters medical problems, he may want to begin payments before age 66. But if he continues working beyond age 66, he’d like to be able to postpone payments even further. Peter chooses a special gift annuity arrangement—a flexible deferred payment gift annuity—that allows him to select an earlier or later starting date. His charitable deduction remains the same—$14,592.

Depending upon when payments begin, the amount he receives each year will range from $2,821 (5.6%) at age 64, to $4,050 (8.1%) at age 70. The chart below shows Peter’s options in starting payments.

<table>
<thead>
<tr>
<th>Age at starting date</th>
<th>Annual payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>64</td>
<td>$2,821 (5.6%)</td>
</tr>
<tr>
<td>65</td>
<td>3,023 (6.0%)</td>
</tr>
<tr>
<td>66</td>
<td>3,250 (6.5%)</td>
</tr>
<tr>
<td>67</td>
<td>3,400 (6.8%)</td>
</tr>
<tr>
<td>68</td>
<td>3,550 (7.1%)</td>
</tr>
<tr>
<td>69</td>
<td>3,750 (7.5%)</td>
</tr>
<tr>
<td>70</td>
<td>4,050 (8.1%)</td>
</tr>
</tbody>
</table>

We would be happy to provide deduction amounts and annuity options for any situation, whether the gift annuity is for you or for a loved one. And we invite you to send for our new booklet, *Deferred Rewards Worth Waiting For!* Just return the enclosed envelope for your free copy.