The death of a loved one causes one of the most profound emotionally turbulent periods during a lifetime. Sleeplessness, weight loss or gain, hopelessness or even an unshakable lethargy are just several of many common side effects experienced among those left to grieve. While the onset of these symptoms often occur quite suddenly, these symptoms frequently take a much longer time to dissipate. The healing process is unique and personal for each of us. Yet it is something we much each go through at some point in our lives.

During a period of mourning, it is typically not a good idea to make significant, life-altering decisions. The stress and raw emotions felt after a death frequently impair our thought process. We make bad decisions. We do things we would not ordinarily do. Knowing this, why would anyone choose to place the burden of dividing up his estate upon a person he loved very much and leave no written dictates?

You can take important steps in helping your loved ones through the healing process even before your death. Talk to your tax accountant, lawyer or financial investor. Develop a planned giving statement, now. Your legacy can be both long lasting and the most generous act you have committed. Do it now.

SHARE

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Communico

On Life Estates

SHARE

What Exactly is A Charitable Gift of A Life Estate?

Leaving a legacy is increasingly more and more important to many people these days. And frequently when it comes time to remembering a favorite charity, donors prefer to leave property, rather than liquid assets. A gift of a life estate typically involves the donation of a benefactor's residence, or farm to a charitable organization, like the Share Foundation. The donor bequests the real estate to the charity but retains the right to reside on the given property until his or her death. In nearly all instances where a gift of life estate is made, the property has been owned by the benefactor for more than one year and has thus appreciated in value over the duration of the benefactor's tenure there. However, for a named charity to receive the benefits that come with the gift of a life estate, the gift must be irrevocable.

There are often certain advantages to giving a life estate as your legacy. Upon bequeathing a life estate to a charitable organization, the donor frequently finds he or she is permitted to make an income tax deduction of up to 30% of their gross adjusted income on the property. They can also continue to make deductions for up to five years, assuming the value exceeds that amount.

Tax benefits alone usually make a gift life estate much more profitable for the donor than to sell the property outright and donate the proceeds to an organization like the Share Foundation. A gift of life estate is also beneficial should the donor want to retain the right to reside at the residence for himself or herself, or any other survivors, like a spouse and children. This is an ideal way to maintain creature comforts for the donor and those loved ones sharing the dwelling, while leaving a significant and lasting legacy to a favorite charity.

Example

A gift of life estate is a perfect choice for someone like Elizabeth Voite. A widow, Elizabeth decided she wants to get her affairs in order while she is still healthy and can best make some tough decisions. She does not want her family to have to decide how to parcel out her estate when she dies. She also wants to make sure that she leaves a legacy for the Share Foundation in memory of her long-deceased niece, who was born with Down Syndrome. Elizabeth's three children are scattered across the tri-state area. Each has a home. None of them has expressed an interest in living in their childhood home. Rather than sell the home and donate the proceeds to the Share Foundation, Elizabeth talks with her tax attorney. He suggests she consider a gift of life estate because of the tax advantages for her, her ability to remain in her home and the fact that the Share Foundation will ultimately receive more from the house in this manner than if she were to sell the house outright.

The more she thinks about it, the more Elizabeth likes the idea of a life estate as a gift. She arranges to have her home formally appraised so that the fair market value can be assessed. As laws vary from state to state, she searches until she finds the appropriate office to conduct a Phase I Environmental Audit. Once the appraisal has been completed, the appraiser has signed an IRS Form 8283 for tax purposes and the audit has concluded, Elizabeth is free to transfer the deed to the Share Foundation Of course, the charity will not actually hold the title until her death, or the end of her specified term. Elizabeth will need to file Form 8283 with her tax forms in the year she transfers the deed. Whatever the property was valued is the amount Elizabeth can deduct from her taxes that year. She can continue to live at the residence only paying for the costs of ongoing maintenance. At the time of Elizabeth's death, the residence clause is null and void and the property now belongs to the Share Foundation to use or sell as it sees fit. The property will not pass through probate. Elizabeth's children do not have to decide how to dispose of the property. It has already been taken care of and they will receive the additional benefit of an estate tax deduction.

Benefits

Advantages of a Life Estate

- The donor sees that he or she is giving a significant gift of property to the Share Foundation.
- The donor retains the right to live at home, in the comfort to which he or she has become accustomed.
- The donor can also retain the right to reside in the home for a spouse, or other loved, that will remain in effect according to the agreement even after his or her death
- The donor is eligible for a federal income tax deduction in the year the gift is made
- The property is transferred immediately to the Share Foundation upon the death of the donor, thus avoiding probate and the taxes associated with the process.
- The donor's heirs will receive a substantial estate tax deduction at the time of the donor's death