

Senior Money Tree

Philanthropy has many different motivations and payoffs. Participants have been involved throughout their life time while some have refrained. It currently involves 75% of the U.S Taxpayers to some degree as reflected on their returns. Senior perspective allows the benefit of experience to be considered. Some experiences may have been good some may have missed their objectives. Regardless, you have survived and are at your particular point in life. A big question for many is where do we go from here?

If you have been fortunate to have created abundance, avenues are open to add additional fulfillment through philanthropy. At the same time it is important for you to know that you don't have to be wealthy to enjoy all the benefits of philanthropy. Yes it is true many can improve their current situation by using charitable tax techniques if they are informed.

Donor Intent

If you could change just one thing what would it be? How could you start today? It starts with your interest in doing something to help and then aligning resources you have to support your vision. Our services can walk you completely through the process.

Tax Leverage

"The law favors charities because they promote goodwill and lessen the governments burdens."

Original law, since 1917, individual federal taxpayers have been allowed to deduct gifts to charitable and certain other nonprofit organizations. Such organizations (hereafter called "charitable") were already exempt from the income tax. A charitable deduction extended the benefits of exemption to individual taxpayers, so that income donated to charitable organizations was exempted from all levels of income taxation. It has expanded over the years and today has many generous provisions. The problem is that this is a "specialty" area and very few accounts concentrate upon the advanced charitable tax planning and available deductions. Once the math is understood, many choose to take action.

There are a broad range of examples of what can be accomplished to meet your needs and objectives. Picking one idea may be a place to begin but designing your total plans will give you sustained results most seek. The examples below are focused on modest amounts of gifts. Much larger tax savings can be obtained with comprehensive planning.

More Cash Flow

It is very simple. You increase your income or lower your expense. Let's look at these alternatives.

Revenue is produced by active or passive income. A person at work or their money at work is the sources for revenue. One other category might be sale of assets or property and technically that falls under money at work.

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The examination of the problem is difficult because each person's circumstances are unique and the best alternatives will also vary because of their uniqueness.

Let's take a simple safe illustration of a couple who have been living on a fixed income consisting of Social Security, the husband's pension and interest earnings from cash savings equal to \$650,000. The SS and pension are fixed and even though adjusted for inflation will not see increases in the next couple of years, maybe longer. The \$650,000 interest was enough to get them by based upon 8% yields but today and for the past couple years it has fallen far below the rates needed and the next few years are not looking much better for rising interest rate returns.

O. K. the choices are to reduce expense or increase revenue-right?

How can they reduce their expense? Looking at budget line items they are also fixed and at a minimum. One problem is increasing medicine costs and needed additional medications. What if they could rearrange some things and lower their income taxes? That is a possible solution. What if at the same time they could increase the revenue without risk of their capital? Placing the current savings at risk in a high yield investment could increase revenue but it could also loose capital-an unacceptable position for most.

Sell residence in the form of outright sale might get some net cash after they pay all expense of selling moving and buying another. Reverse mortgage is another form of a sale but can stay in home.

Are there any other revenue increasing alternatives? Yes here are Samples:

Example # 1

The \$650,000 in a CD at 2% is producing taxable revenue of \$13,000 a year and is most likely to be paid at the end of the year not monthly. \$9,750 net spendable revenue.

By repositioning some cash they could next month start enjoying an annual tax free income of \$18,144 plus additional taxable income of \$8,856 or total income of \$27,000. A gross monthly income for life of \$2,250. They have retained their home and have an emergency cash reserve of \$150,000 that could be collecting additional interest income. They never have to worry about running out of income. Additionally you would be eligible to take an income tax deduction in the year you completed the arrangement of more than \$165,000 should you have the income to qualify under the 50% limitation rule. What might that do for you? If you had other items to sell like your business, rental income houses or stock that appreciated this might be sweet.

If this was for one person's life income needs instead of 2 in the example the numbers would increase to \$31,500 annual income and an immediate income tax deduction of \$223,634.

Example #2

Taking the same set of facts from Example #1, let's add a common concern. What will happen if one gets ill and needs extensive extended care? The extra \$ 1,166 a month won't cover the \$40,000 plus bill per year that it costs for extended care. That is true but if you take \$4-500 a month and purchased a quality Long Term Care insurance coverage the problem would be

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solved and you would still have \$6-700 extra revenue you don't have now with the same extended care issue unresolved!

Example #3

You have sizable holdings of stock that had produced good revenue in the form of dividends but are down on the dividends but still have strong high value. You need the income and at this point in life the value means nothing. The 2009 economy is creating more and more of these situations. Part of the problem is that to convert the stocks to cash the sale will trigger significant tax and the net amount with current low interest rates won't give you enough additional revenue that you need. What if you had market value at \$650,000 as the above example? Could you get basically a similar deal set up? Yes you can if you know how. Only a small portion of your capital gain will be reportable, and the tax will be spread out over your actuarially projected lifetime but the income numbers work the same. You would enjoy a much larger cash flow now and get an additional income tax deduction that in most cases would eliminate your entire tax for this year.

Why hold onto property that is not producing positive cash flow to you?

■ **For kids inheritance?**

■ **Don't want the tax bite?**

■ **I didn't know these kinds of things could be done My accountant and attorney never discussed these things with me.**

■ **Don't know how to put it together?**

Whatever your reasons are that have held you back you now know you have options and need not feel stuck or trapped by your success.

If you had other properties this may make a good time to sell to lessen any tax burden on their sale. Take advantage of these IRS approved Tax strategies to increase your cash flow and reduce or eliminate the tax due on sales of property.

Call us or [email us](#) so we can call you to discuss how we can help you!

Advanced Examples and case studies below----What is the motivation?

Raise Your cash income & help others:

[Sell a farm or property, transfer of stock](#)

[Other Examples](#)

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Save Estate Taxes & help others:

[Lead Trust](#)

[Special examples and case studies](#)

Establish a Legacy that helps others

There are a large number of examples for you to consider as an idea generator but here are a few:

[Tom's Shoes](#), Very unique and powerful.

Imagine what you could do---let's explore it!

[Building future business entrepreneurs](#) *This is creating jobs long term.*

[More than 80 countries have signed up to host events during the upcoming Global Entrepreneurship Week, to be held November 16 - 22.](#)

[Bill and Melinda Gates](#) *Many projects and interests being developed.*