

ROAD MAP TO LEGACY PLANNING

Joining your values and valuables can be a surprisingly powerful and satisfying experience

By Carol Karsch

Creating a legacy plan has a certain magic. You sit in this world pondering a future one and wonder what you would do if the power to shape it were yours. You may not see yourself as possessing such power, but you do. A concrete and comfortable means exists to express your personal belief system — your values — and join them with the material means you have acquired — your valuables.

The marriage of these values and valuables is the essence of legacy planning. It is an exhilarating experience which converts a potentially burdensome decision-making process into a satisfying series of concrete actions. This process is for everyone, regardless of age, wealth or interests. We all have values that are important to us and the possibility of using our material acquisitions to express them forever. Planning can be extremely beneficial to people who have an income but not necessarily “an estate.” When, on the other hand, estate tax is destined to be an issue, specific strategies are virtually indispensable.

So here is a road map to guide your process. It explains how you can create a legacy for future generations and the documents to implement it. It also describes how you can update your plan so that your instructions mirror the dynamic circumstances of your life. It can't show you the exact route or travel time because everyone's path is different. Its purpose is rather to highlight the key decisions along the way and the feeling of accomplishment when the pieces have been knitted together into a flowing whole that is uniquely yours.

VISION AND FUNDING: TWO TRACKS, ONE DESTINATION

The legacy plan has a vision track and a funding track, and the two intersect in a way ideally matched to your financial situation and community orientation.

The vision track includes your charitable beneficiaries, a distribution plan, special contingencies, and a mechanism for change. On the funding track, you address how you will finance this vision: which assets and vehicles provide the most effective means to achieve the desired results at the least cost.



You can create your personal route to the future.

ROLE OF THE JEWISH COMMUNITY FOUNDATION

With the task in mind of integrating assets, vehicles, and beneficiaries, while assuring financial expertise and durability, in 1978 Tucson's Jewish leadership established the Jewish Community Foundation. As the endowment and planned giving arm for all of the institutions, families, and individuals in the Jewish community, the Foundation was created to convene, under one roof, the people and tools essential to assure the financial resources for a flourishing community into the next century.

THE VISION TRACK

A legacy plan can be created at any stage of life. Whether you choose to create your plan during your busiest (and most productive) years or when faced with a serious life challenge, extensive community resources are there for you. Once you have created that framework, you can easily incorporate new ideas and build upon your basic plan.

Beneficiaries

Identifying the recipients of your legacy is a pivotal decision. Local Jewish institutions you have supported and whose work you respect are natural choices, such as perpetuating your annual synagogue or Federation/ UJA contribution. All qualified tax-exempt organizations — your alma mater, a medical institution which touched your life, etc. — are approved beneficiaries, so directing funds to any causes you feel passionate about is perfectly acceptable.

As a second option, you may wish to target a “special interest” such as Jewish education, immigrant absorption in Israel, or geriatric care. In this case, you can direct the Foundation grants committee or other qualified body to select the most appropriate organizations, program and projects to accomplish your goals.

A third possibility, less obvious but certainly intriguing, is to focus on a need you perceive as unfulfilled in the community and take steps to meet it. The need may be modest or large; you may need help conceptualizing and implementing it. But vision is boundless, and the planning process earns you the freedom to dream.

A fourth consideration is to invite your children to join you on your legacy journey. Many donors choose to designate their children and grandchildren as advisors who will recommend distributions for a portion of the funds left to the community. What a satisfying way for you to involve the people you love in continuing your partnership with the Jewish community.

As a part of the overall plan, think seriously about designating a share of your legacy as unrestricted. While it is natural to assume a constancy of community issues, priorities in Jewish life can shift in sudden and unexpected ways. Just as our great-grandparents could hardly have imagined our world, we do not know what challenges will confront our great-grandchildren.

Emergency rescue is a graphic example of a Jewish community’s need for an unrestricted permanent endowment fund. During 1991, with diplomatic assistance from the United States, Israel airlifted the entire Ethiopian Jewish community to safety in less than three days. This courageous and breathtaking operation was aided, and ultimately financed, by unrestricted endowment funds throughout the Jewish world. Jewish history assures us that such drama is destined to be repeated.

Distribution Plan

To coordinate all aspects of your plan, the Foundation uses a form called an endowment fund agreement. This document is a “central control panel”; it specifies the funding vehicles and stipulates how your endowment fund is to distribute dollars to the charitable beneficiaries which you have named.

Such a customized agreement is the map that guides you through the process. Through it, a wide variety of assets — cash, stock, land, insurance policies — can be contributed to your fund; dollars then flow out the other end to your beneficiaries exactly as you have directed in the document.

Efficiency and flexibility are important features of this approach. Your will or trust can simply name the Foundation as beneficiary of your bequest; your distribution plan directs the flow of funds in perpetuity. You may decide that you want the beneficiaries to have income each year but are concerned about an emergency. In this case, the fund agreement can contain an optional clause allowing your beneficiary to draw on the principal of your fund, to the degree specified.

Purpose Statement

Numbers and formulas cannot convey all your thoughts and feelings. Therefore, you can include in your fund agreement a narrative through which you speak directly to the leaders of the future

who will guard the commitment the Foundation has made to you. Your statement, written from the heart, enables you to reach across generations and insure that your intent will be faithfully executed, even as the face of the community changes.

Changing Your Route in Mid-Journey

It’s reassuring to know that flexibility can be built into your agreement to allow you to alter your beneficiary designations or simply adjust percentages. If the funding has not yet commenced, then Exhibit “B” to the fund agreement can be revised. It is noteworthy that such adjustments can be made without the need to amend your will or trust, which can be expensive.

Another election you can make is to begin funding during your lifetime. Imagine for a moment that you have established a fund to send youngsters with special needs on a Jewish camping experience. Your plan is testamentary, but you have growing confidence and

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satisfaction that the finances which you counted on will indeed be in place. So you decide to begin supporting the campership now, when you can enjoy seeing the fruit of your generosity, and direct your estate to complete the balance of the funding to the desired level.

THE FUNDING TRACK

The funding track, as stated previously, is the choice of assets and vehicles to finance your vision. In concert with the Foundation and your own professional advisors, you will plan your gift in such a way that it furthers your unique financial and estate goals. The strategies you choose could result in significantly more money being available to you to use.

Gift Planning

The gift planning process can be very exciting and its results dazzling, so much so that popular and professional publications alike acclaim it as a "win...win...win." As always, however, the hype can oversimplify the facts, so it is wise to look carefully at the benefits from your individual vantage point.

Gifts which are entirely free of cost to the donor and his or her heirs are, in fact, rare. More accurately, through skillful planning, your legacy will be substantially (and willingly) subsidized by the U.S. government. You are thus able to shift a large portion of otherwise taxable dollars to your charitable beneficiaries. The planning objective is to structure your contribution in such a way as to maximize the government's subsidy of your gift.

Assets

You, with the help of your professional advisors and Foundation staff, will carefully choose the source of dollars to fund your legacy in order to optimize total benefits to you, your heirs, and the community. Here are some examples of assets to consider:

- A retirement fund provides important lifetime security for you and your spouse but, due to its tax treatment, is a very poor "transfer asset." Therefore, gifting an IRA while earmarking cash and other assets for your children is a smart strategy.

- Real estate, even if it is not readily marketable, is an excellent asset to help fund a legacy plan because the Foundation can hold the property until it can be sold for the highest value and flow the proceeds into your legacy fund, regardless of how long into the fu-

ture this reaches.

- Highly appreciated stock or income producing real estate can dramatically expand the resources available for you to donate. They also can be used to generate income for you at the time of the donation, upon your retirement, or to set up a lifetime income for your children upon your death.

Charitable Vehicles

The process of advantageously combining assets and charitable vehicles in a gift plan is graphically illustrated by an approach commonly referred to as an



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"income-for-life" legacy fund.

The idea is simple. You donate appreciated property. The Foundation converts it to cash, investing the proceeds to pay income to you, or others you name, for a period of time, perhaps life. Because the Foundation is tax exempt, the capital gains tax is eliminated. Your income is increased accordingly because a larger amount is invested for your benefit than would have been the case if you had sold the asset, paid the tax, and invested the remainder.

This "income-for-life" vehicle has a number of variants, including charitable remainder trusts, gift annuities, and pooled income funds. These are useful in increasing current income or building it tax-deferred

for later distribution.

These are the basic elements in gift planning. But, like your vision, its range and variations are vast, so technical competency is essential. The Foundation provides this through its volunteer network of expert professional advisors who are available to work with Foundation staff and your own advisors to make your legacy happen for you and the community.

Synchrony With Financial, Estate, and Health-Care Planning

Legacy planning is interrelated with your vital life concerns because, in order to determine what you want to leave for the community, you need a comfort level about how you will finance your own needs. Is there enough for you and your spouse to live into old age? What will potential medical expenses or long-term care cost? Will your estate adequately provide for your children and grandchildren when you're gone?

Legacy planning is not just one more added worry on this list. It's an advantage. You can use the Foundation's expertise, informational seminars, and network of professionals to help sort out your financial and estate issues. You can complement these practical steps with an exploration of the personal side. And you can discuss all of this with the Foundation in strict confidence, without pressure, and without cost.

SOLUTIONS TO PROBLEMS

Often, excellent solutions to planning problems result from combining financial and charitable planning. This can be true for a teacher wishing to augment a retirement savings plan or an entrepreneur contemplating the sale of his or her business. A wonderful example of synchrony in action comes to mind. A respected elderly widow, who recently passed away, had an only son and wanted him to inherit the estate her husband had left her. She also had a deep desire, and a commitment to her late husband, to provide assistance to newcomers to this country, in appreciation for the help he had received. First and foremost, however, she needed an income flow for herself so that she would have financial freedom and comfort in her late years.

She did have one issue with her son. He and his wife were very philanthropic and avid travelers. Although certainly proud of them, she was concerned that they had not adequately begun to prepare for their

four children's college educations.

An attractive financial, estate, and legacy plan for this thoughtful woman emerged from discussions among her advisors and the Foundation. She purchased a long-term health care insurance policy to assuage her personal concerns. She then created an income-for-life fund using appreciated stock to finance her own lifestyle, with the income from the asset shifting to the community upon her death. She also established a life insurance trust to supplement her grandchildren's educations and to leave an additional inheritance to her son.

This story illustrates many of the possibilities that come with planning. This donor was overjoyed by the results of her efforts: she secured her financial future,

assured her son's inheritance and grandchildren's education, and honored her husband's memory. And, with the legacy it received, the community fulfilled the donor's vision by establishing a permanent scholarship fund for the children of the new Americans arriving in Tucson, to help cement their identity as Jews.

A legacy plan empowers you to complete the work of your heart, assured that nothing in your estate is wasted, that no one is left out and that every dream is fulfilled.

THE ULTIMATE EMPOWERMENT

The legacy planning process is a beautiful journey. It addresses your financial comfort and welfare, while making provisions for the security of your family. It can engender heartfelt conversations, build bonds with significant others, and engage important topics which were awaiting the right open door.

Through this very special marriage of your values and valuables, you can take the pursuits of the workplace, the material achievements of your life, and transform them into deeds which touch the world.

Jewish tradition teaches that words must always be followed by deeds. Symbolically, we break bread immediately upon uttering the blessing with nothing coming between. The art of creating a legacy, and the joyful feeling of completion it inspires, demonstrate the wisdom of this tradition. It empowers you to complete the work of your heart, and to enjoy the peace that brings, assured that nothing in your estate is wasted, that no one is left out, and that every dream is fulfilled.

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