



St. Vincent Healthcare
Foundation

BENEFITING FROM A LIFE ESTATE AGREEMENT

A Life Estate Agreement is an excellent way to *invest* in a charity through the gift of your home, farm, or vacation home while retaining the full use and rights to the property during your lifetime. With a Life Estate Agreement, you retain a “life estate” and the St. Vincent Healthcare Foundation receives the “remainder interest.” The advantages include:

An immediate federal income tax deduction -- thereby saving income tax dollars now.

An immediate Montana tax credit. With a Life Estate Agreement you are eligible for a Montana tax credit of 40% of the charitable portion of your gift up to a maximum \$10,000 credit, per year, per individual.

Some considerations:

1. You can choose to transfer only a portion of the acreage attached to your personal residence or farm and keep or sell the remaining acreage. The tax advantages are based on the portion of the property that is gifted.
 - a) Donor’s age is taken into consideration when allocating the value of the farm or residence between the donor’s “life estate” and the tax-deductible “remainder interest” passing to charity. Older donors qualify for larger charitable income tax deductions since their life expectancy is shorter.
 - b) A vacation home, condo, or co-op may qualify as a “personal residence” if it is used for residential purposes by the donor at least some of the time.
2. After making a gift of a remainder interest by deed to the St. Vincent Healthcare Foundation, you may continue to occupy the property or:
 - a) move and leave the property unoccupied;
 - b) lease or rent the property to third parties;
 - c) give the life estate to the Foundation.
3. Improvements made to the property by the donor after the gift is made may qualify for additional income tax charitable deductions.

----- to see how to receive income from your home keep reading -----

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Some donors may want to use their home (or other residential property) as a way to benefit the St. Vincent Healthcare *and* receive a life income.

A Life Estate Agreement can be coupled with a Charitable Gift Annuity Agreement to provide the donor a guaranteed income for life.

Again, the donor's age is taken into consideration when allocating the value of the donor's "life estate" in the residence and the tax-deductible "remainder interest" passing to charity. A Charitable Gift Annuity can be provided on the tax-deductible portion of the property. Here's an example:

June Martin was a nurse until her retirement at age 65. Thirty-five years ago she purchased a home for \$50,000. The home is located in a good neighborhood and has appreciated in value to \$150,000.

June is now age 80, in good health, and plans to reside in her home for the rest of her life. She wants to make a significant gift to benefit St. Vincent Healthcare when she passes away; but she would also enjoy having additional income. St. Vincent Healthcare Foundation is very interested in creating a mutually beneficial plan.

Under the Treasury tables, the *remainder value* or right to receive the \$150,000 home when June passes away is approximately \$90,000. The St. Vincent Healthcare Foundation offers to acquire this remainder value in the home in exchange for a \$90,000 gift annuity paying 8 percent interest. The balance of the \$150,000 value is the right to live in the home for the life of a person age 80.

June is delighted with the plan.

- 1. She receives an annuity amount of \$7,200 each year;**
- 2. An immediate charitable income tax deduction of over \$40,000 (which can be spread over the next six years).**
- 3. This gift also qualifies for a Montana tax credit of \$10,000.**
- 4. In addition, because her \$250,000 exclusion may be used for a sale of remainder interest under IRC Sec. 121(d)(8), there is no capital gain reported on the gift annuity. The \$90,000 gift annuity is treated like a cash annuity. As a result, over \$4,500 of each year's annuity payment is tax-free, with the balance being ordinary income.**

This plan is ideal for June and the St. Vincent Healthcare Foundation. June is able to live in her home for life, receives a substantial income, saves thousands in income tax and will ultimately benefit the healthcare mission of the hospital, to which she dedicated her career.