



Heritage Club members Marilyn Anticouni, Tim Gamble, Marilee & Joe Green

The End of the Year Brings Opportunities

Our donors make an impact on United Way of Santa Barbara County in so many ways. A generous gift can provide the solution to an immediate need or set the cornerstone for a long-term strategy. And, there are many ways you can make a charitable gift to UWSBC. Readers of this newsletter know that giving can be much more than writing a check—bringing benefits to the donor *and* all those served by United Way of Santa Barbara County.

We'll discuss the advantages created by a charitable gift of appreciated stock in this issue of *Visions*, as well as other useful ideas where charitable giving meets tax strategy.

This is an important time to consider the tax benefits for charitable giving because there is still time to make full use of these benefits in your own plans. Understanding year-end giving is a great way for you to become a more informed philanthropist and have a greater impact with your gift.

As a bonus, we are offering our popular *Taxpayer's Home Companion* to you. It contains useful information about 2010 income tax figures and rates, plus helpful tips on charitable giving. Simply return the reply card for this handy guide.

Thank you for your continued support. We look forward to hearing from you.

Sincerely,

Judy Goodbody, CFRE
Gift Planning Services Officer

visions IN PERSONAL PLANNING

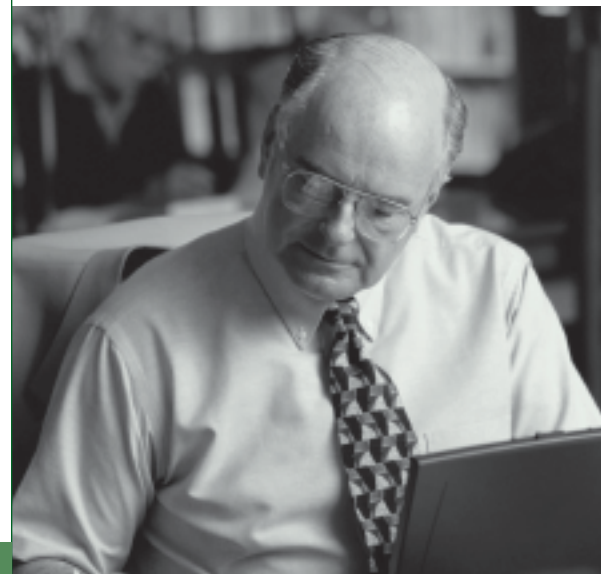
Giving Appreciated Stock: The Great Benefit to Us—the Double Tax Benefit to You

The outright gift of an appreciated stock is a smart way to give to a qualified charity because of the double tax benefit:

- A tax deduction for the fair market value of the stock
- Avoidance of federal capital gains taxes

Here is an example: You decide to give us 100 shares of EFG stock with a current value of \$5,000. You bought the 100 shares of stock in 2002 for \$1,000. Because

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of the gift, you may deduct \$5,000 as your gift to us. And, you avoid the tax on the \$4,000 of long-term capital gains that would be due if you had sold the stock — a savings of about \$600 in 2010. These two tax benefits work in tandem to produce a lower after-tax cost for the gift than if you had sold the stock on the open market and given the proceeds to our organization.

Comparison of a Gift of Cash versus a Gift of Stock

	CASH GIFT	STOCK GIFT
Gift amount	\$5,000	\$5,000
Charitable tax savings*	\$1,750	\$1,750
Capital gains tax savings	\$0	\$600
Cost of gift	\$3,250	\$2,650

* Savings for a taxpayer in a 35% tax bracket.

Both gifts would be greatly valued but a gift of appreciated stock can be made at a lower cost to you. And we can make immediate use of a gift of stock just as well as a cash gift.

There are other factors that could influence your choice of a stock as a charitable gift:

- The stock with the greatest appreciation
- The stock that you know little about and less of what to expect in the future
- The stock that is unstable when you want to move towards more conservative investments

To enjoy the benefits of a gift of stock you will need to select a stock that you have held long-term (longer than one year) and you will need to itemize your deductions. We can provide information to help you with the details — it's really quite simple.

Principles for Smart Giving (and Saving on Taxes)

Some rules about tax-wise giving are quite straightforward, while others can be more complex. Most of us know that we can make tax-deductible gifts to our favorite charities. However, it's important to also know a few rules about types and amounts of gifts. Following are some basic principles to keep in mind. Consult your advisor(s) for more detailed information, and let us know if we can be of service.

KNOW THE BASICS

○ Be sure that you itemize your deductions

Of course, the tax deduction is not the reason why you give, but know that taxpayers who do not itemize deductions gain no tax benefits from a charitable contribution.

○ Timing is everything

Individual gifts are based on a calendar year. So, if you want to take advantage of tax deductions for 2010, you must make your donation effective before midnight on December 31, 2010.

○ Give to qualified charities

Unless the organization is a church or a government entity, the charity must apply to the IRS to qualify. IRS Publication 78 lists every qualified charity.

KNOW THE NUMBERS

○ Deduction limits for charitable gifts

For cash gifts, you can give up to 50% of your Adjusted Gross Income (AGI) and deduct the full amount on your income taxes. For gifts of appreciated property held for more than a year, the limit is 30% of your AGI. Consider that if your gift exceeds either limit, you have five additional years to use the 'excess' charitable deduction.

○ Keep records

Even a small cash gift (an amount less than \$250) must have some written substantiation like a cancelled check, a bank record or a detailed receipt from the charity. For all gifts (cash or otherwise) of \$250 or more, the charitable organization receiving the donation must provide written documentation to the donor.

○ Complete forms for larger gifts

If you claim a deduction of more than \$500 for all contributed property, you must attach IRS Form 8283, Noncash Charitable Contributions, to your return. Taxpayers donating an item (or a group of similar items) valued at more than \$5,000 must also complete Section B of Form 8283, which requires an appraisal by a qualified appraiser. All these forms do sound complicated, but they are required for accuracy's sake.

○ What is it worth?

Know the true value of items you donate. With donations of clothing or household property, your deduction is limited to its present value, not the purchase price, and only if the property is in good or better condition.

The Federal Estate Tax in Flux

For 2010, the federal estate tax is not in effect. However, the law is set to change in 2011 — a top marginal rate of 55% and an exemption at (a relatively low) \$1 million. Of course, the law could change for 2010 and/or 2011 if Congress decides to act. In any case, the law specifically provides an unlimited deduction for a bequest gift to a qualified charity. Be sure to contact us if you need any information on the current state of the federal estate tax and consult with your advisor for any estate planning need.



KNOW THE RULES

○ Be careful

Know what you cannot deduct. You cannot take a deduction for money paid to a charity for raffle tickets or for fund-raising events that include meals or entertainment. (If the ticket cost exceeds the fair market value of the event, you can deduct that portion.) You cannot take a deduction for the time and service you devote to your favorite cause.

○ Deduct mileage

You can deduct mileage for driving your vehicle while helping a qualified charity or organization. You can also deduct certain other expenses associated with volunteer work.

○ Vehicle donations

You can donate that old car or boat and get a deduction. However, be aware that these types of donations are closely watched by the IRS — in most cases, an individual can claim only the price that the charity

can get by selling the vehicle. There are special forms to submit to track the actual money realized by the gift.

○ Collectible donations

There are specific rules on making a gift of a collectible to a charity: you can deduct the fair market value only if the charity plans to use the item for a use related to its tax-exempt purpose. A good example is a painting intended for display at an art museum. However, if the charity simply plans to sell the item, the gift is limited to the cash basis in the property.

Reminder: If you are like most people, you give to charities and other tax-exempt organizations because you want to benefit a worthy cause. By being aware of the tax rules, you can help us and save taxes at the same time (though you should always consult a tax advisor). Please let us know if we can be of help.

And on to a New Year

The new year is fast approaching and we are excited to see what it will bring. Your charitable gifts play an important role in helping us serve others. And charitable giving also can provide major tax benefits for you as a thoughtful donor. Thank you for your generous support, and best wishes for the coming year.

We Could Not Do It Without You



Since 1923 United Way of Santa Barbara County has worked closely in partnership with schools and charities in our community to improve the lives of children, families, and seniors. Through the Power of Partnership Initiative (POPI), more than 5,300 people and 230 organizations told us what ten-year

goals they want for Santa Barbara County. The top response was “Education Improvement”, to

- Increase on-time graduation rates by 50%, and
- Increase students reading at or above grade level in every grade by 50%

United for Literacy (UFL) is the result of this local research engagement process combined with national research. The UFL initiative is a multi-pronged set of program services and partnerships designed to achieve these ambitious goals. The three components included in UFL are Born Learning, Dolly Parton’s Imagination Library, and Reading Plus®. Each component offers educational programming that is age-appropriate and aligned with school curriculum.



Heritage Club member Patty Forster volunteers during United Way’s Fun in the Sun summer enrichment program.

To learn more about United for Literacy and community involvement opportunities, please visit www.unitedwaysb.org/ufl

**United Way
of Santa Barbara County**



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