

# Univest Foundation Forum

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## Special points of interest:

- An example of one of Univest Foundation's donors used planned giving to support their charitable wishes and save money in taxes.
- Learn about the latest legislation pending concerning making a charitable gifting using your IRA
- Univest Foundation is partnering with Non-Profit Organizations in Bucks and Montgomery Counties. Find out how we can help your organization.

## Case Study

**Donor:** "John and Kathryn\*"  
**Age:** 81 and 83  
**Family:** Married; one married child, age 55; two grandchildren, ages 22, 25  
**Profile:** John and his wife Kathryn live on John's family homestead. They have an estate net worth of approximately \$3,000,000, a good income stream, minimize their current income taxes with municipal bonds, and have a passion to support the charities that have been important to them.



For most people, "taxes" means income taxes; however federal and state taxes on your estate could be the largest single tax expense you ever incur—sometimes taking up to 55 percent of your assets upon your death. The good news is that you can take control of how your assets are distributed. You can choose how the dollars are to be spent and who you want to be in control of your estate after you are gone - instead of leaving the decisions to an anonymous government that might direct funds toward activities you oppose.

John and Kathryn are living comfortably in their current situation, but they realized the importance of planning their estate to guarantee their hopes and wishes are carried on. As a result they visited with Kevin Alderfer, Univest Foundation Executive Director.

Kevin helped the couple complete a financial needs assessment. They discovered that their current estate plan provided some charitable bequest dollars, caused a large amount of estate taxes, and provided only a reasonable

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## Big Brothers Big Sisters of Montgomery County Partnership

Univest Foundation would like to welcome Big Brothers Big Sisters of Montgomery County to our group of Non-Profit Partnerships, as we begin to create a planning giving program for their donors. Our first step is to educate their Board of Directors on the options available in Planned Giving.

We will bring expertise and experience to BBBS so they can select a program that best complements and enhances their current fund raising effort. We understand the unique challenges that a non-profit organization is faced with and want to work to support their cause. This will save

Them the expense of hiring additional staff or learning the technical skill needed to start their program. This will also help Big Brothers Big Sisters of Montgomery County to better plan for the long term and stay ahead of future budget constraints.

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New Legislation

Direct IRA Charitable Gifts

Both the CARE Act of 2003 that passed in the Senate and the Charitable Giving Act (H. R. 7) the passed in the House permits current gift from IRAs to charity. The two acts will be subject to a final agreement by a joint House-Senate Conference Committee, followed by approval from Congress and a White House signing ceremony. However, the IRA sections of both bills are quite similar. While the procedures are still subject to

the final bill as signed by President Bush and new rules from the IRS, the general guidelines for IRA gifts to charity are now becoming clear and will probably follow these rules.

Under both bills, direct gifts will be permitted after the IRA owner has reached the age of 70 1/2. Since the number of days in each month is not uniform, it is desirable to wait until six calendar months and

two or three days after an IRA owner's 70th birthday to start making IRA gifts.

The Charitable Giving Act in the House is effective on January 1, 2004. This is very likely to be the effective date of provisions allowing gifts from IRAs.

The IRA's custodians, usually large financial service companies, banks or trust companies, will likely provide a simple form for transfer

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Big Brothers Big Sisters of Montgomery County presents "An Autumn Evening to Remember" on Saturday, November 15, 2003 at the Highlands Historical Society in Ft. Washington

Partnership Continued...

Big Brothers Big Sisters of Montgomery County is a non-profit organization designed to help at-risk children and youth. As the number of children raised in single-parent environments continues to increase, the future of our communities will come to rely heavily on the efforts of organizations like Big Brothers Big Sisters of America. Our goal is to provide children a positive role model and a dependable friendship. BBBS has many programs designed to accomplish their mission,

like their traditional Core-Match Program and newer programs like the School-Based Mentoring Program. BBBS of Montgomery County's newest program is the Sisters Program and Brothers Program. This is a weekly in-school and out-of-school group activities beginning in 5th grade designed to provide positive alternatives to early sexual activity, chemical use and truancy.



Sisters Program

Big Brothers Big Sisters of Montgomery County presents "An Autumn Evening to Remember" on Saturday, November 15, 2003 at the Highlands Historical Society in Ft. Washington. This catered affair includes a silent auction, dancing, and a sampling of wine. For additional information call BBBS at (610) 277-2200.

Case Study Continued...

inheritance to the children. Those results were not what they really wanted to accomplish with their estate; they wanted to do more.

Kevin helped John and Kathryn customize a plan that met their needs.



First, they set up a Uninvest Foundation Charitable Gift Account to eliminate the federal estate tax that would have cost their estate \$675,000. This also provides a unique means to support their charitable wishes for 20 years. In addition to the UF Charitable Gift Account, they also established a Family Trust. The Family Trust will provide consistent income to family members for many years, principal withdraws for health and education needs and the remainder will go to charity after many years receiving of income.

\*Names and personal information changed to protect privacy

**UNIVEST**  
FOUNDATION

14 N. Main Street  
P. O. Box 64197  
Souderton, PA 18964

Phone: 215-721-2586  
Fax: 215-721-4010  
Email: [morenas@univest.net](mailto:morenas@univest.net)

We're on the Web!  
[univestfoundation.org](http://univestfoundation.org)

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## Univest Foundation

*A new way to give brings a new way to receive*

Help others help our communities by becoming a member of Univest Foundation. This new charitable giving endeavor is designed to bring non-profits and donors together by providing a unique opportunity to give and receive donations and sets the stage for what is destined to be a mutually beneficial relationship for all parties involved.

#### Non-Profit Services Available

Board & Donor Education on Planned Giving  
Donor Consultation—building charitable giving plans  
Gift Annuity Administration  
Endowment Investment Management

#### Donor Services Available

Charitable Gift Planning  
Donor Advised Fund  
Fiduciary Responsibilities (i.e. Trusteeship)

As the year is coming to a close, time is running out to make a charitable gift for the tax year 2003. You have until December 31, 2003 to get a charitable deduction this year. For more information about Univest Foundation's services and programs, please contact Kevin Alderfer at (215) 721-8379.

### Direct IRA Continued...

directly from the IRA to the charity. While there will be a record of the charitable gift, the IRA custodian will not report a taxable distribution to the IRA, and the donor will not pay tax on that amount.

The CARE Act does not specifically state that the gift will meet the RMD transfer, but the explanation of the provision in the budget of President Bush suggests that this gift from a IRA to charity is intended to fulfill the RMD. For example, assume that a person has a required minimum distribution of \$10,000, and gives \$2,000 from her IRA to charity. Under the guidelines suggested by the President's budget, the remaining required minimum distribution for that year would be \$ 8,000.

Since the gift is not included in taxable income, there is no charitable deduction. This is a



benefit over the previous method of reporting the withdrawal in taxable income and then taking the charitable deduction. It is both convenient and simple to make the gift directly from an IRA. The IRS classifies charities as qualified exempt.

Both public charities and

private foundations that are classified as qualified exempt will be eligible. A gift from an IRA must not include a substantial benefit back to the donor, such as a dinner for ten at the annual charity auction.

Gifts from an IRA are not "includable in gross income" and should not affect any of your other charitable gifts. Some generous

donors will make substantial gifts under the regular rules and will give "over and above" from IRAs. While both bills are yet to be finalized, this has the potential to be a great new estate-planning tool for both donors and non-profit organizations alike. Stay tuned for final legislation.