



## **FOUNDATION LOAN PROGRAM**

The Foundation Loan Program seeks to assist local U.M. churches with capital funds for the purchase, construction and/or repair of properties. 2006 loan rates range from a 8.25% - 9.25%. Call 800-595-4347 for more information or to speak with one of our loan officers, or visit our web site [www.umfne.org](http://www.umfne.org).

### **Knowing Your Assets**

Understanding how assets behave through the estate transfer process can maximize your gifts to both heirs and charities. Consider John and Betty Dunnwell, ages 78 and 79. As frugal savers, they have three major assets worth \$360,000 each; mutual funds in one joint account, John's IRA, and their home. They have two daughters, May and June, who are doing very well in their own careers. In light of this, John and Betty have decided to make a meaningful gift to fund an endowment at their church. In addition, they would like to set up their estate plan to benefit the educational needs of their beautiful grand children.

Believing their assets are about equal in value, they decide to divide them as follows:

1. May will receive the mutual fund account
2. June will receive the IRA
3. John Wesley UMC will receive the family home. (They think because their daughters live 2 hours away, it would be easier to let the church sell the house)

#### **RAMIFICATIONS**

1. The Church will be glad to sell the home, pay no tax, receive the current market value of the home and create an endowment to fund mission trips as the Dunnwell's instructed in their will.
2. May will receive the mutual fund account, and will have the added benefit "a step-up in basis", which means if she sells the funds she avoids any capital gains taxes.
3. June will receive the IRA. She can roll the IRA over to an "Inherited IRA" which means she must take small-required distributions calculated by her age. The downside is if she wants the "cash" she will lose 30+ % of the IRA to income taxes. Remember this gift is for college tuition.

As originally designed, the plan did not fully accomplish the Dunnwell's objectives. In fact, June feels slighted as she actually received \$100,000 less than May. May feels bad about that, and is considering compensating June for her shortfall through her inheritance. We have all heard these stories or perhaps, even lived them.

#### **WHAT SHOULD HAVE HAPPENED?**

1. Ideally, June should have received the house, allowing her a step-up in basis, avoiding taxes.
2. The church should receive the IRA. Because it is a non-profit, the church can cash-in the IRA and not pay tax.

#### **THE U.M. FOUNDATION CAN HELP**

Our role as gift planners allows us to provide the necessary assistance to donors who want to make a gift of assets, either through their estate or through a planned gift, that returns income during their lifetime. Working with your advisors, we can structure a gift plan that maximizes your gifts to family and charity (and to your local church). Please call Gary Melville at 800-595-4347 ext.103 if you have any questions or would like to set up an appointment to review your gift or estate plan.

*For further information or questions, please call us at  
800-595-4347 Ext. 100 or email [info@umfne.org](mailto:info@umfne.org)*