

# GIVING & RECEIVING

Fall 2004

MORAVIAN MINISTRIES FOUNDATION IN AMERICA • 455 SOUTH CHURCH STREET • WINSTON-SALEM, NC 27101  
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## AND YOU THOUGHT WE WERE FUNDRAISERS!

BY: PAUL McLAUGHLIN

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When I am introduced as the fundraiser for the Moravian Church I generally smile and politely thank the person—but inside I feel a little embarrassed. You see, I don't think of the Foundation as a fundraising organization. We don't solicit people for gifts. We don't sell raffle tickets, pizzas, cookies, or other items to raise funds for the Church. And we don't raise money for any single cause or ministry.

But what does the Foundation do? The answer is contained in our original vision statement, crafted in 1997: "We help Moravians fulfill their charitable goals." Well, isn't this fund raising? I would say no! True, gifts are secured, but our focus is not on the gift but on the individual and what he, she, and/or they want to accomplish. We call our approach "Personal Financial Stewardship."

Personal Financial Stewardship involves helping Moravians look at the wide range of personal, financial, estate, and charitable goals. It begins and ends with two questions: 1) What do you want to accomplish? and 2) What resources do you have and what will you need to accomplish your personal goals?

As you can see, there is no talk about a donation or giving. From our perspective, the charitable needs of the Church are always secondary to those of the individual couple or family. Experience tells me that, when helping each person, couple, or family look at the full spectrum of needs, charitable giving will typically be among the goals they want to address. Through a discernment process we explore whether and how the many tools in our tool chest can help accomplish much more than giving a gift.

In the end, what we hope emerges is a plan—a Personal Financial Stewardship Plan. It may involve using a planned gift. But then again it may not. In our judgment the measure of our success is not a gift—it's helping each Moravian determine his personal, financial, estate, and charitable goals and develop a plan that helps accomplish these things.

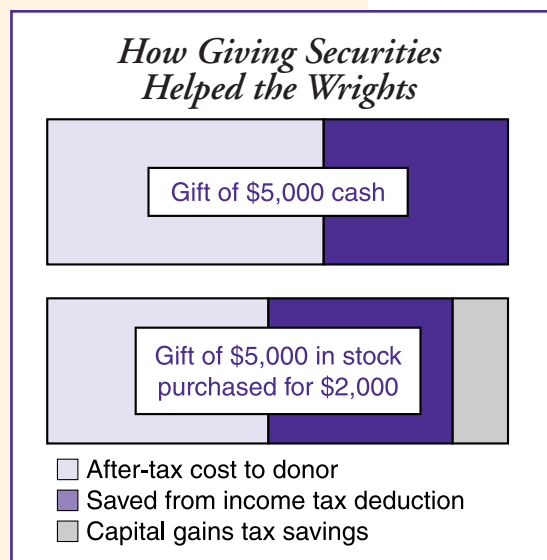
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***Inside: How gifts of appreciated property work for you and for us.***

## SAVINGS MAKE PROPERTY GIFTS ATTRACTIVE

*How one couple fulfilled  
a pledge using securities  
rather than cash.*



When you give securities or certain other property that has increased in value, you can often make a gift at a much lower cost than an equivalent gift of cash, as the following example shows.

**The plan:** To satisfy a pledge in the amount of \$5,000, Don and Janice Wright chose to give \$5,000 worth of stock purchased several years earlier at a cost of \$2,000.

Although the stock had increased in value, this asset produced very little income.

**The results:** The Wrights received a charitable income tax deduction for their gift. But for how much: \$5,000 or \$2,000? The *full fair market value* of the property, not its cost, is generally deductible under current law.

As an added benefit, they did not owe capital gains tax on the \$3,000 appreciation in the stock when their gift was made.

Savings from the charitable deduction and the bypass of capital gains tax can be considerable. How much they saved depended on their actual income and capital gains tax rates (see the chart at left for an example).

**The alternative:** Had they sold the stock and given the cash proceeds, the capital gain would have been taxable, reducing the amount available to make their gift.

To benefit as the Wrights did, you must have owned your stock for the long-term holding period (longer than 12 months). If your gift amounts to more than you are allowed by law to deduct in one year, the unused portion may be deducted in future years (see page 3).

## IMPORTANT TERMS TO KNOW

**Long-term holding period:** A length of time set by law for which non-cash appreciated property must have been owned in order for the property holder to receive the benefit of lower capital gains tax rates when he or she sells or gives the property. Currently the long-term holding period is 12 months and a day for gift purposes. Check with your advisor for applicable rate and holding period information.

**Appreciation or capital gain:** The part of an asset's value that

represents the increase in value since you've owned it. If, for example, you purchased a stock for \$10 per share and it is now worth \$50, the "appreciation" or "capital gain" is \$40.

**Capital gains tax:** A tax levied on the capital gain or appreciation in the value of an asset. When property has been held long-term, capital gain will generally be taxed at a lower rate than ordinary income, depending on your tax bracket, holding period, and other factors.

Appreciated assets are subject to special tax rules, which may make giving them more economical. Here are some common questions asked by those considering making such gifts. Your tax advisor can provide more details.

**Q: What tax savings are available from gifts of long-term appreciated property?**

A: Most long-term appreciated property is deductible for its full fair market value when the gift is made to Moravian Ministries. If you itemize deductions on your federal income tax form, you can claim this benefit.

Also, capital gains tax is not due on property that is given instead of sold. Itemizers and non-itemizers alike can benefit from capital gains tax savings.

**Q: What tax benefits come from giving property that has been owned less than the required holding period?**

A: So-called “short-term” property is deductible as a charitable gift for the lesser of its cost basis or its current value.

**Q: Is there a limit to the amount of the deduction I can take for gifts of appreciated property?**

A: Yes. You can generally deduct gifts of appreciated property worth up to 30% of your “adjusted gross income” in the year of the gift.

However, if you are subject to this limit, you can reap tax benefits not only in the year of the gift but in subsequent years as well.

Excess deductions may be carried over into as many as the next five tax years as long as you continue to itemize deductions.

**Q: Can property that has decreased in value be given?**

A: Yes, but instead of giving the asset outright, consider selling it and giving the proceeds. This way, you may create a capital loss for income tax purposes while still making a deductible charitable gift of cash. In this way you may actually be able to deduct *more* than the current value of the property.

**Q: What is required to prove the value of my gifts for tax purposes?**

A: If a deduction you claim exceeds \$5,000 and is for non-cash property other than publicly traded securities (or closely held securities worth \$10,000 or more), IRS Form 8283 is required along with a “qualified appraisal.”

## QUESTIONS AND ANSWERS ABOUT TAX BENEFITS

*Know the basics in order to plan wisely.*

### OTHER GIFT ALTERNATIVES

Property other than securities and real estate, such as jewelry, antiques, and works of art, may also be attractive gift alternatives under some circumstances. Tax benefits may depend on how the property is used by the charitable recipient.

Life insurance policies that have accumulated value but are no longer needed for the purpose for which they were acquired may be a cost-effective way of making a meaningful gift as well.

The same applies to retirement fund balances that have grown beyond the amount needed to assure a comfortable future for you and your loved ones.

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# TIPS ON GIVING SECURITIES OR REAL ESTATE

*Follow proper  
techniques and timing  
for best results.*

## GIVING REMINDERS

- Gifts made by midnight on December 31 can help reduce your federal income taxes in that same year.
- Giving long-term appreciated property rather than cash can bring you extra tax savings.
- Ask your professional advisor about the methods of giving most advantageous to you.
- Keep receipts for all gifts, especially those gifts valued at \$250 or more.

Once the decision to give securities or real estate is made, consider these guidelines when making your gift.

Gifts of securities can be easily arranged.

1. Send the unendorsed certificate in one envelope and a signed stock power form in another. The form is available from a stockbroker.

2. In the case of mutual funds or securities for which you do not hold a certificate, ask us or your broker about the most efficient ways to complete your gift. Allow extra time for the transfer of mutual fund assets.

Many people make gifts of securities at year's end, when they are reviewing their tax picture. In that event, the timing of the gift

can be very important. Your gift will be deductible in the year of the postmark on the later of the two envelopes mailed (see Method 1) or in the year in which ownership is otherwise legally transferred to the organization.

Real estate is usually transferred to the charitable recipient by deed, just as if you had sold it.

Non-cash property may also be given via your will and/or other estate planning tools. Simply notify your attorney of your wishes. A complete and accurate description of the property will be necessary.

Remember the opportunity to create a memorial with any gift. You can arrange for a loved one to be honored for years to come through a memorial gift. Please let us know if you are interested in a memorial for a loved one and we will gladly help.

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Frankly, sometimes the process takes relatively little time to complete. Other times, it can take months. In fact, there have been instances where it took years for some individuals to arrive at a plan that worked for them. In my opinion, as long as we remain focused on what each Moravian wants and needs, everything else will take care of itself—including giving to the Church.

If you would like to talk about developing your Personal Financial Stewardship Plan, please call me at 888.722.7923. You can also return the enclosed response card. In either case, I would be delighted to hear from you and to answer any questions you might have. Our service is available without charge, is confidential, and there is no obligation.