

# focus on the future

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- Year-End Financial Planning: Traditional Charitable Approaches
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## Supporting Your Values

Welcome to the second edition of *Focus*. Just as we do with our television programs, New Hampshire Public Television strives to offer information in *Focus* to help you make informed decisions. In the following pages, we present you with gift-planning strategies for year-end giving.

Charitable gifts are usually made because benefactors believe in an organization's mission. The mission of NHPTV appeals to those interested in education, arts and culture, and public affairs. We are unique in that we serve the communities of northern New England through media in ways that engage and connect like few other nonprofit organizations can.

I'm sure you could share a story about a public television experience that inspired you, opened your mind, or helped you understand a new concept. Perhaps your experience brought a smile to your face, a song to your lips, or a tear to your eyes. I'd like to share with you the story of the Marie Schmidt Gerrato Trust. I was especially touched when Al Gerrato established this trust in memory of his wife. Al told us how

Marie loved public television and how it brought her so much pleasure for many years. He created an endowment that supports local programming on NHPTV in perpetuity. It's a living memorial in honor of Marie and all those who share her love of New Hampshire.

As you read through this issue of *Focus* and identify ways to give a gift that is most beneficial to you, please consider the impact that your gift to NHPTV will have for the future. Your legacy gift to NHPTV will keep the stories alive and will be appreciated by so many.

Henry David Thoreau, New England's own philosopher, noted, "Philanthropy is almost the only virtue which is sufficiently appreciated by humankind." Thank you for supporting New Hampshire Public Television, its virtues, and your values.

Peter A. Frid  
CEO and General Manager

# YEAR-END Financial Planning:

## *Traditional Charitable Approaches*

The onset of fall means it is time for an annual tradition: year-end tax planning. You still have time before the new year arrives to take simple steps to increase your deductions and minimize your taxable income—keeping in mind that the ultimate goal is to pare down your tax bill and to position yourself to achieve your personal, family, and charitable goals.

### Using Profits in Your Portfolio

Despite recent volatility, the three major market indices have doubled or nearly doubled their levels over the last five years.

Understandably, many investors are wondering if they should dispose of some of their holdings to protect their hard-won gain.

However, selling has a consequence of its own. This comes in the form of a tax on your gain—up to 15% if you have held the securities for more than one year. The more successful your investment in securities has been, the more capital gain tax you would owe.

STOCK HOLDING \$100,000 CURRENT VALUE			
Original Cost	Capital Gain Profit	Capital Gain Tax	% of Value Lost to Tax
\$10,000	\$90,000	\$13,500	13.5%
\$20,000	\$80,000	\$12,000	12.0%
\$30,000	\$70,000	\$10,500	10.5%
\$40,000	\$60,000	\$ 9,000	9.0%
\$50,000	\$50,000	\$ 7,500	7.5%

### Preserve Gain with Creative Charitable Planning

A gift of appreciated property to New Hampshire Public Television would allow you a deduction for its full fair-market value, and you would also avoid paying capital gain tax.

**Example:** *Jeff, a loyal and generous supporter of NHPTV, makes an outright gift of \$25,000 each year to help with annual operating expenses. As the stock market has risen, Jeff finds himself holding several stocks with impressive gain. To fund his gift to NHPTV this year, Jeff decides to transfer stock worth \$25,000 that he bought in 2002 for \$5,000.*

Putting your appreciated stock to work for NHPTV can help avoid tax on capital gain.

**Results:** *Jeff can claim a deduction for up to the full \$25,000 value of the stock in the year of the gift (even though he paid only \$5,000 for it), saving \$8,750 in his 35% tax bracket. Jeff also avoids recognition of \$20,000 of long-term capital gain that would have cost him \$3,000 in tax had he sold his stock instead.*

**Total Potential Savings:** \$11,750



The NewsHour with Jim Lehrer team, from left: Jeffrey Brown, Gwen Ifill, Jim Lehrer, Margaret Warner, Ray Suarez



Judy Woodruff, a senior *NewsHour* correspondent, with NHPTV board chair David Sundman

**Giving stock does not have to mean giving up on the stock.** Even if you are quite happy with the current composition of your portfolio, you may still benefit by giving stock instead of cash.

**Here's How:** Make a gift to NHPTV of some appreciated stock, and use cash to reestablish your position by buying the same stock again. It will have a higher cost basis (equal to the current price), reducing your future tax liability.

**Pointer:** If you happen to hold stocks that have decreased in value, consider selling them first and making a gift of the proceeds to NHPTV. The loss can offset other gain—or ordinary income up to \$3,000 if you have more loss than gain.

**Retain the value of your stock and make a gift.** Did you know that there are creative ways to enjoy

the fruits of your investing labors **and** make significant gifts? Effective charitable planning is the answer. **Take advantage of current charitable rollover legislation before provisions expire at the end of the year.**

**Example:** *Tom and Phyllis enjoy picking stocks. They are justifiably proud that their portfolio has doubled in the last 20 years. Their investing success has fueled their philanthropic urges, and they would like to find a way to share their success with NHPTV.*

*After conferring with their advisors and a member of our staff, Tom and Phyllis transfer \$250,000 worth of some of their most successful investments to a special kind of charitable trust that will pay them*

*\$25,000 each year for the next 10 years.*

*Results: Over the trust's term, Tom and Phyllis will receive \$250,000. After 10 years, the trust will distribute the remaining assets to NHPTV to achieve the couple's goal of supporting the Education Fund while they are alive.*

Tom and Phyllis will receive an immediate charitable income tax deduction of \$58,560 that will save them almost \$20,500 in their 35% tax bracket. Assuming they paid just \$100,000 for the stock they used to fund the trust, they also avoid capital gain tax on the \$150,000 of appreciation when the securities are sold by NHPTV—an additional savings of \$22,500.

**IRA Rollover:**  
**2007 Special Edition**

Thanks to the Pension Protection Act of 2006, taxpayers who are at least 70<sup>1/2</sup> can make charitable transfers of up to \$100,000 this year directly from their IRA accounts to qualifying charities—without having to treat the transfers as taxable distributions.

This special opportunity is set to expire at the end of 2007. Please contact us to determine if this gift is right for you.

**To qualify for this special treatment:**

- Transfers must be directly from IRA custodians to charitable organizations

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- Gifts must be outright; transfers for life-income gifts are not eligible

**Who can benefit?** This may prove especially attractive for:

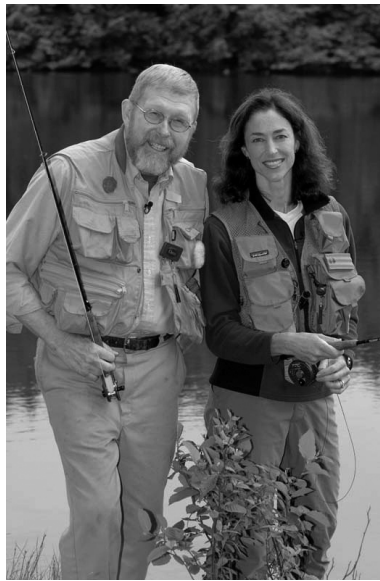
- Those who make gifts in excess of normal deduction limits
- Donors who do not itemize deductions for federal income tax purposes
- Individuals who are subject to the pesky 2% rule, which requires that itemized deductions be reduced by 2% of AGI in excess of \$156,400 for this year
- Residents of states that do not provide for separate deduction of charitable contributions for state tax purposes
- Donors whose major assets reside in their IRAs will find it convenient for this year and the next to make direct transfers to charity from their IRAs without including the transfer in their taxable income

**Added Bonus:** You may count your qualifying transfers toward your minimum required distribution for 2007.

## Tax-Wise Retirement: Planning Moves

If you are still actively working, be sure to take advantage of all tax-advantaged options open to you to save for retirement. You can slash thousands of dollars from your annual income tax bill by making contributions to such plans.

If you have made provisions to leave a legacy to New Hampshire Public Television, please let us know so that we may thank you.



Hosts Willem Lange and Lisa Densmore of NHPTV's popular, award-winning *Wildlife Journal* program

- Most contributions—such as those to traditional IRA, 401(k), 403(b), and Keogh plans—are deductible from your 2007 income. When those contributions and the earnings they generate are paid out to you in retirement, they are treated as taxable income.
- Current contributions to Roth IRA accounts are not tax deductible, but distributions of those contributions and their earnings are made tax-free after the age of 59<sup>1/2</sup> and after the five-year “nonexclusion period” has ended. If you are eligible to make both traditional and Roth IRA contributions, do the calculations based on your current income tax bracket, assumed rate or earnings, and your anticipated tax bracket in retirement to decide which is better for you.

## We're Here to Help

Year-end planning provides an annual opportunity to bring your financial picture into focus. Contact us for a more detailed explanation of how to make the gift of your choice. To assist in your planning, we would like to send you a complimentary copy of our 2007 year-end giving booklet, *7 Charitable Tax-Wise Moves You Can Make Now*. Simply contact our office or return the enclosed card to request your copy.

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.

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