

### **DEFINITION**

The Life Estate Agreement is a plan whereby you can gift your personal residence, farm, ranch, or vacation property to benefit a ministry or charitable cause you value, but retain all uses and income for life.

### **HOW IS THE AGREEMENT MADE?**

A new deed is prepared transferring title to Mennonite Brethren Foundation. The new deed contains a provision reserving a lifetime interest in the property. A written agreement specifies rights and responsibilities; in most cases, the donor would continue to maintain, insure, and pay taxes on the property.

### **WHAT ARE THE ADVANTAGES?**

- You retain use, control, and income from the property for life.
- There are immediate income tax savings. A significant tax deduction is likely, based upon the depreciable and non-depreciable portions of the property, the property's value, and the age of the donor(s).
- There will be no capital gains tax even if the property is highly appreciated.
- The property is removed from the estate and probate is avoided.
- At a later date you may relinquish rights to the life estate and receive an additional gift deduction.
- You have the satisfaction of having made a significant gift to various charities. A Donor Advised Memorandum would be filed with the Foundation as your recommendation for the ministries/causes you wish to benefit from your gift.

### **WHO SHOULD CONSIDER A GIFT?**

For the person who has already made appropriate provisions for their children through their estate plan, or who has no children, gifting certain properties and retaining a life estate may be desirable. It is an irrevocable gift. Consultation with your financial and legal advisors is recommended.

### **HERE'S AN EXAMPLE**

If a couple, both of whom are 77 years of age, were to give a personal residence valued at \$80,000, with an estimated life usefulness of 45 years, a non-depreciable value (the lot) of \$10,000 and a salvage value of \$10,000, the remainder interest or gift deduction using current IRS calculations would be \$33,101. This gift deduction could be used in the year of the gift transfer and, if not all usable the first year, carried forward up to an additional five years. The couple would have lifetime use of the residence and upon their decease, the residence would transfer fully to the Foundation to be sold and proceeds disbursed to the recommended ministries.

Someone has called this "living in your gift!"

### **PROFESSIONAL ASSISTANCE**

The staff at MB Foundation is experienced and qualified to discuss this gift option with you. We can provide personalized tax calculations, help decide if the idea is right for you, and assist in this process of helping you in Giving Meaning to Money®!