



GIFTS OF REAL ESTATE

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From farmland and timberland to vacation residences and rental properties, a gift of real estate can unlock the full value of your property and offer special economic advantages. If you own property that is not subject to a mortgage and has appreciated in value, a charitable gift to Moravian University may be an attractive proposition. The following options are used by alumni and friends of the University:

- An outright gift of appreciated property offers maximum tax advantages because the charitable deduction is generally based on the full fair market value of the property. An appraisal is needed for IRS purposes.
- A gift of the remainder interest in your home or farm (called a “retained life estate”) can provide a current tax deduction, avoid capital gains taxes, and allow you to continue to live in your home.
- A gift (or partial interest) of appreciated property can be used to create a charitable remainder trust, which will provide you (and a second beneficiary if you wish) an annual income for life.

WHY FUND A CHARITABLE GIFT WITH REAL ESTATE?

Unless you sell the property, your options for receiving current financial benefits from real estate are usually limited to increasing your debt or renting the property to someone else. Real property can also be a nuisance for estate planning, since it is rarely practical to transfer a single property to more than one heir. The result is a choice between leaving inequitable benefits for heirs or placing the burden—and costs—of selling the property onto your executor and estate. Property located in different states may be subject to additional probate and transfer costs.

GIVE AN OUTRIGHT GIFT

You may deed your property to Moravian University and gain an income tax deduction for the appraised value of the property. You may then designate how the proceeds are to be used by the University if you wish.

GIVE YOUR PROPERTY AND CONTINUE TO ENJOY IT

A retained life estate agreement is an opportunity to continue living in or using your home, vacation home, or farm while also establishing a gift now—and to enjoy the benefits, including current tax savings, that usually characterize only lifetime charitable gifts. While nothing changes in your current lifestyle or your use of the property, the retained life estate arrangement generates a sizable income tax deduction for you in the year you establish the gift. At the end of the retained life estate term (usually your lifetime or joint lifetimes), the property goes to Moravian University as the charitable recipient. The donor is responsible for all taxes, maintenance, etc., on the property during their lifetime.

A RETAINED LIFE ESTATE MAY BE RIGHT FOR YOU IF:

- You want to continue to live in your home;
- You do not plan to pass on your home to family or other heirs;
- You itemize your income tax deductions and want to save on income taxes now; and
- You want to make a significant gift to Moravian University.

GIFT OF REAL ESTATE EXAMPLE

Henry and Joan Henderson, ages 78 and 77, still live in the house where they raised their three children. Henry and Joan are in good health and have no plans to move. Their house has appreciated greatly over the years and is now worth about \$600,000. Their children are grown with homes of their own and have no interest in keeping the house in the family. Henry and Joan would like to give a large gift to Moravian University, but they don't feel comfortable giving a significant portion of their investment assets away. They are excited to learn they can give their house instead, while continuing to live in it for as long as they wish, and their lifestyle won't change as a result of their arrangement. They also are attracted by the income tax charitable deduction of about \$494,843* that they can use immediately to reduce their income taxes if they itemize their income-tax deductions.

BENEFITS

- Henry and Joan can continue to live in their home for the rest of their lives.
- They receive an income tax deduction of about \$494,843*.
- They may deduct up to 30% of their adjusted gross income in the year of the gift. If they cannot use their entire deduction in the year of their gift, they may carry forward the balance for up to five additional years.
- They will provide major support, currently worth \$600,000, to Moravian University.
- Their home is no longer in their estate, potentially saving estate taxes.

*Henry and Joan's income tax charitable deduction may vary depending on the timing of their gift. Their ability to benefit from an income tax charitable deduction will depend on their ability to itemize their income tax charitable deductions.

WHAT IF I DEPEND ON THE PROPERTY FOR INCOME?

A retained life estate agreement will allow you to continue using the property productively or renting it to others during your lifetime. You can then enjoy the income tax savings immediately or save them for the future or for your heirs.

A GIFT THAT YIELDS AN INCOME STREAM

It is possible to generate or replace income from real property (while avoiding or reducing capital gains taxes on the sale of the asset) through a charitable remainder trust. In this scenario, the donor must put the property into a trust before there is a signed purchase offer on the property by a third party.

GIFT OF REAL ESTATE EXAMPLE

Mary is newly retired and plans on downsizing from her large home. She does not wish to retain the property and would like income to supplement her retirement savings. Mary has always wanted to give a meaningful charitable gift to Moravian University. She decides to gift the house by placing it in a charitable remainder trust with Moravian University as beneficiary.

BENEFITS

Mary claims an income tax charitable deduction for a portion of the home's value and avoids the capital gains tax she would have faced if she had sold the property herself. After the trustee sells the property, the resulting proceeds in the charitable remainder trust will yield a steady stream of income for the rest of Mary's life. Mary's charitable wishes for Moravian University are met, as the trust principal will ultimately benefit the University.