

For many who, ten to twenty years ago, were making investments with a keen eye on future objectives, the future is suddenly here. Even in the wake of recent economic ups-and-downs, it is not at all unusual for investments made a number of years ago to have significantly increased in value.

At the same time, these investments frequently produce little or no actual income. So now it is time to sell the assets and enjoy the fruits of a wise investment!

There's only one problem. Few planned to watch the value of an asset shrink due to the capital gain tax triggered by a sale.

If you find yourself in this position, you are going to like the benefits of the Tax-Free Sale.

The *Tax-Free Sale* plan is just one of many strategies that takes advantage of tax laws developed to encourage and reward the spirit of philanthropy. If you would like to receive personalized information on how charitable planning can help you realize your goals, we invite you to call or write.



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The Tax Free Sale



A
Story
of
Objectives
Realized

Sell Tax-Free and Increase Income

Thanks to the growth in our economy over the past two to three decades, many individuals and families find themselves reaping the rewards of astute investment decisions made a number of years ago.

For example, Mr. and Mrs. Sample bought a piece of development land a little more than a decade ago. Growth in the area has caused the value of their land to increase from the original purchase price of \$50,000 to a fair market value of \$200,000. Now the Samples would like to sell the land and reinvest the proceeds in a way that will generate retirement income.

However, the shrinkage caused by the capital gains tax—a tax on the growth of the original investment—drastically reduces the attractiveness of selling the land.

The Tax-Free Sale Plan

The *Tax-Free Sale* is tailor-made for individuals who find themselves in this situation. It is a plan built around the use of a versatile financial planning tool known as a *Charitable Remainder Trust* (CRT). The CRT simply takes advantage of the long-standing provisions of our tax law that encourage the support of qualified charitable organizations.

The CRT has three significant benefits:

- Bypass of capital gains tax
- A charitable income tax deduction
- A lifetime income stream

The illustration shows how the CRT makes it possible for the Samples to sell the property tax-free, receive some much needed cash for the first phase of their retirement, and benefit from an increased income stream for the rest of their lives.

First, Mr. and Mrs. Sample transfer a portion of the property into a CRT. As the name suggests, the CRT is charitable in nature. As a result, the Samples receive a charitable income tax deduction for the value transferred to the CRT. The couple retains ownership in the portion of the property not transferred to the CRT.

When the property is sold, the CRT bypasses 100% of the capital gains tax on the portion of the land it owns. While the Samples do owe capital gains tax for the gain attributable to the portion they retain, this gain is offset by the charitable income tax deduction they receive for the gift to the CRT.

As a result, Mr. and Mrs. Sample receive the full proceeds from the sale of their portion of the property.

What about that additional income for retirement? By agreement, the CRT will make annual payments equal to 6% of the value of the trust. In our example, this is equal to \$6,534 the first year. Even more impressive, the estimated annual payments will total more than \$209,288 over the couple's life expectancy!

