



Foundations In Faith

“May Christ dwell in your hearts through faith and may charity be the root of your life.” Eph. 3:17

Fall/Winter 2011

There’s More to Estate Planning Than Taxes

Less than 1% of all estates are large enough to be subject to the estate tax (a credit now shelters up to \$5 million), so estate taxes are not a concern for most Americans.

However, millions of people whose estates are below the estate tax level may need wills and living trusts to address a variety of family and personal needs:

- A widower wants the bulk of his estate to pass to his disabled son through a special needs trust.
- A bride in her 50s wants her estate to be available to her husband, but at his death have the assets pass to the children of her first marriage.
- Parents with minor children want to name a guardian and

establish a trust to administer their estate in the event they die in a common accident.

- A couple with no children want their assets divided equally between their families if they should die within a short time of each other.
- A friend wishes to leave any assets remaining in his IRA at death to the Catholic Diocese of Memphis in memory of his parents.

All of these situations involve people who might not be subject to the estate tax but nevertheless have concerns that can only be addressed through thoughtful estate planning.

For some, a simple will is sufficient; others may need a living trust in addition to a will.

If you don’t already have a will, see an attorney about having one drafted. If you have a will, take it out today and review the provisions to see that they still reflect your wishes for the disposition of your estate. And if your estate is likely to be subject to estate taxes, ask your attorney to review your estate plan to see that it takes advantage of opportunities to reduce or eliminate taxes.



Remember the Catholic Diocese of Memphis

Many friends feel strongly about continuing their lifetime of charitable support through their estate plans. There are many ways to include us in a will or revocable living trust. Our office would be happy to work with you to arrange a satisfying bequest. If you do wish to include a bequest to the Catholic Diocese of Memphis in your will, we can provide the appropriate language. Just call our office at (901) 373-1209.



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Countdown to 2012

As the 2011 clock ticks away, consider the following as part of your year-end plans. Counting down . . .

5. Review your investments. With the stock market fluctuating from week to week, it's a good idea to meet with your advisers prior to year's end to see if your portfolio is still in balance. If you expect to report capital gains for 2011, look for loss stocks that you can sell to offset the tax. Another option for appreciated stock or mutual fund shares held more than one year: donate them to charity and get an income tax deduction for the full value, not merely what you paid.

4. Check your tax withholding. Avoid a penalty by paying taxes through withholding from wages or estimated payments. You need to pay in at least 90% of the tax you will owe for 2011, or you can use the safe harbor that allows you to pay in 100% of your 2010 tax liability (110% if your 2010 adjusted gross income was more than \$150,000).

3. Contribute the maximum to retirement plans. If you're eligible, you can put up to \$5,000 in an IRA for 2011 (\$6,000 for those age 50 and older). If your employer offers a 401(k) plan, the maximum for 2011 is \$16,500, with an additional \$5,500 for those over age 50. You have until April 16 to make IRA contributions, but the earlier you contribute, the longer your funds will have to grow.

2. Take required distributions. Owners of traditional IRAs over age 70½ are required to take distributions annually (Roth IRAs don't have required minimum distributions). Failure to make the withdrawal by December 31 can result in a 50% penalty. Distributions are taxed at ordinary income rates. A more satisfying option

for those who don't need the funds from their IRAs is to have the IRA custodian write a check directly to a public charity. These qualified charitable distributions can take the place of required minimum distributions, saving taxes, even though no charitable deduction is available. IRA owners can contribute up to \$100,000 in 2011. Gifts must be made directly from the IRA custodian, not the donor, and must be completed by December 31. Please call us at (901) 373-1209 if you have questions or if you plan to make a gift through your IRA.

1. Get to the mailbox. A check mailed to our office can be postmarked as late as December 31 and still qualify as a 2011 charitable gift, even though we don't receive the check until early in 2012. Large charitable deductions may be especially attractive in 2011 if you are recognizing income from the conversion of a traditional IRA to a Roth IRA in 2010. If you plan to make a gift of stock or mutual fund shares, start the process early to guarantee that a deduction is available for 2011. We'd also be happy to discuss gift ideas that generate income tax deductions while allowing you to retain income for life.



Plug Cash Leaks in Your Savings

Even if a leaky faucet drips slowly, the water loss can still add up. The same is true with savings. Consider ways to stop the leaks that cause you to lose valuable investment dollars:

■ *Consolidate IRAs.* If you have several accounts, you may be paying fees that could be reduced by maintaining the funds in one location.

A single account may also allow you to participate in investments requiring larger minimums. But watch for limits on insured savings.

■ *Don't leave money on the table.* If your employer matches 401(k) contributions up to a certain amount, make sure you contribute at least that much. You can automatically double your money as you save for retirement.

■ *Think locally.* If you're investing a portion of your portfolio in municipal bonds, investigate bonds issued by taxing bodies in your own state. The interest you receive may be free of both federal and state income tax, making the bonds more valuable.

■ *Climb the ladder.* Consider putting a portion of your cash into a long-term CD (e.g., 5-year). Then buy CDs in 4-year, 3-year, 2-year and 1-year lengths. As each one matures, if you don't need the cash, use the funds to buy another 5-year CD. You'll have access to a portion of your cash each year while also enjoying the higher returns offered by long-term investments.



Don't Let the Clock Run Out on Opportunity

Through December 31, those age 70½ and older have the opportunity to make gifts to the Catholic Diocese of Memphis directly from their IRAs. Although no charitable deduction is available, distributions up to \$100,000 will pass free of the income tax that would ordinarily be owed on withdrawals. The distributions also can satisfy required minimum distributions for 2011, but must be made directly by the IRA custodian, not by the account owner. Please call us if you'd like to know more about the advantages of gifts from IRAs or to inform us of any gifts from your account, so we may express our appreciation and provide the proper gift substantiation.

Missing Something in the Mail?

If you haven't received a statement from Social Security telling you what your estimated benefits will be, it's not the mail carrier's fault. The Social Security Administration has halted the annual mailings. Instead, the information – along with

calculators, charts and other helpful hints – is available at www.socialsecurity.gov. It's a good idea to review the estimate regularly, to ensure that earnings information has been accurately recorded.

The Art of Gift Planning

Gift planning is an art that combines financial planning, estate planning and tax planning techniques to enable friends to make gifts of surprising significance, often with dramatic tax and financial rewards.

The need for careful planning becomes clear when people consider the basic questions involved in making an important gift: What should I give;

how should I give, when should I give, and are there special purposes my gift should accomplish? We have a new publication, *Directions*, that answers all these questions and offers ideas for making gifts that are both satisfying and tax-wise. We encourage you to send for this valuable guide. Simply return the enclosed card or call our office at (901) 373-1209.

This publication is designed to provide accurate information in regard to the subject matter covered. It is offered with the understanding that the publisher, editor, and contributors are not engaged in rendering legal, accounting and other professional service. Any examples given are for illustrative purposes only based on IRS tables and regulations in effect at the time of publication. For advice and assistance in specific cases, the services of your own counsel should be obtained.

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