



ENDOWMENT FUND

A **Fund for the Future** of Catholic Charities

Catholic Charities of Los Angeles, Inc. is charged with meeting the needs of the poor in Los Angeles, Ventura, and Santa Barbara Counties. It is not enough to provide emergency food and shelter. The agency is committed to empowering clients with the means for them to become self-sufficient. Catholic Charities provides assistance to low income persons and families, those who are jobless or homeless, or otherwise disadvantaged persons who receive assistance on the basis of need. Assistance is provided without regard to race, ethnicity, income, gender or religious belief. Catholic Charities offers a comprehensive range of social services programs including:

- Emergency Food and Clothing
 - Utilities Assistance
 - Psychological Counseling
 - Individual, Family, Marital Therapy
 - Parenting Groups
 - Crisis Counseling
 - Case Management
 - Rent Assistance
 - Shelters for the Homeless
 - Before and After School Child Care
 - Clothing Vouchers
 - Budget Counseling
 - Job Skills Training
 - Services for the Elderly
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Mission and Philosophy

Catholic Charities is committed to manifesting Christ's spirit through collaboration with diverse communities, by providing services to the poor and vulnerable, by promoting human dignity, and by advocating for social justice.

Catholic Charities NEEDS YOU!

The services provided by Catholic Charities do make a difference in the lives of those who are served and in the lives of those who help make the mission of Catholic Charities possible. The community benefits because of the services

provided by organizations like Catholic Charities. This assistance must continue. By guiding with care and love, Catholic Charities is committed to giving opportunities to the jobless and homeless persons in the communities it serves.

Because you care about people, you may desire to make a larger charitable gift to support Catholic Charities' mission to service God's people. But concerns about personal and family security may make these gifts seem impossible. In reviewing the ideas outlined in this booklet, you might be surprised to discover ways to fulfill your desire to invest in the well-being of our community and give to Catholic Charities, while actually enhancing your security or that of your loved ones.

THE ENDOWMENT FUND

An endowment is a fund which has been set up so that the principal deposit remains intact in perpetuity. Only the income generated by the principal may be expended. The income received can be used for either budgeted expenses, special needs, or reinvested in the endowment fund and thus generate even greater income.

Catholic Charities has established a Fund for the Future to provide a long-term endowment through estate gift or life income programs. This fund for the benefit of Catholic Charities was established in 1993 with an initial gift of a bequest. Building this Catholic Charities endowment fund will expand our financial base so that the necessary human services programs will continue to grow to meet the increasing needs of our communities. Income earned from the endowment fund helps prevent Catholic Charities from relying on alternative funding sources that may impede our mission and philosophy or not be available to us in the future, thus possibly reducing other services that are rendered to our clients.

Daily management of the Endowment Fund

In order to maximize the income of the endowment fund, the management of these investments is delegated to a group of external specialized investment management companies under contract to, and supervised by, an Investment Committee composed of investment professionals. Two funds are provided: the balanced fund, focusing on long term capital appreciation and inflation hedging, for endowment, perpetual care, and future programs; and an income fund, focusing on preserving principal and providing income for short to intermediate term needs. The Investment Committee determines overall criteria and investment policy, selects the management companies, allocates portions of the funds among the management companies and oversees their performance. Investment actions are expected to comply with "prudent investor" standards.

On the local level, the Regional Director, Case Manager Supervisor, and the Advisory Board review the investment portfolio's yield and decide how best to utilize the income for the following annual budget. These investments have achieved notable success with the investment fund which has been created and

operated to be in compliance with Church Canon Law to safeguard the resources of the Church faithful. During the most recently completed three-year period, FY 2004-2006, the balanced investment fund returned an annual average of 9.3%.

YOUR ROLE IN THE FUTURE OF Catholic Charities

YES! Catholic Charities must continue to serve the jobless and homeless people of Los Angeles, Ventura, and Santa Barbara Counties to offer them hope and the ability to provide for themselves.

YES! Catholic Charities has made a difference in the lives of those who have received services.

YES! I want to help Catholic Charities to build a financial base so that the necessary human services programs will continue to grow to meet the increasing needs of our communities.

YES! I want to help. **But how?**

As you consider your tax planning, especially at the end of a calendar year, we hope that you will consider making good use of the income tax charitable deduction. **The tax laws intentionally encourage charitable giving.** Because of the income-tax charitable deduction, anyone who makes a gift by December 31, and itemizes, can reduce the sting of income taxes. Here are some ways by which you can make a difference and invest in the future of Catholic Charities and help to sustain its mission of assisting the poor. Remember, no gift is too small and no major investment is too large.

Example: If you make a charitable gift of \$10,000 you could save \$3,100 in taxes if you are in the 31% tax bracket. The higher your tax bracket, the more money you save with a charitable gift.

Giving is, of course, much more than tax brackets and charitable deductions. Your gifts and investments provide the meaningful difference in what we do. Please know that this booklet is only a brief introduction to some of the best tax-advantaged methods of giving. We would be pleased to provide you with further information. Also, we urge you to discuss your tax planning situation with your accountant or other professional advisor.

GIFTS OF CASH

There is no easier way to garner a charitable deduction and support us at the same time than by simply writing a check! Make sure your envelope is postmarked by December 31 if you want to make use of a tax deduction for the year ending by this date.

Most of the gifts made to us are in the form of cash, through a check written by the donor. If you itemize, your outright gifts of cash are fully deductible for

federal income-tax purposes up to 50% of your adjusted gross income. If your total gifts should exceed this limitation, the excess may be carried forward for tax purposes up to five additional years.

GIFTS OF STOCK

Giving long-term appreciated stock offers you a twofold tax saving. First, you avoid paying any capital gains tax on the increase in value of your stock. In addition, you receive a tax deduction for the full fair market value of the stock on the date of the gift. For income-tax purposes, the value of such gifts may be deducted up to 30% of adjusted gross income, with an additional five-year carry forward.

*Example: If you purchased some stock many years ago for \$1,000, and it is now worth \$10,000, an outright gift of that stock to Catholic Charities would result in a charitable deduction of \$10,000 and removes this amount from your federal estate tax. **Federal estate taxes can run as high as 55%.** In addition, you permanently avoid paying capital gains tax on the \$9,000 of appreciation.*

Tax Law Update: While the 1997 cut in the maximum capital gains tax rate from 28% to 20% made headlines, that tax can still extract significant dollars. Remember that you can **totally** avoid the capital gains tax by making a charitable gift of stock. Please note, too, that the stock contributed needs to have been held by you for more than 12 months (**not** for more than 18 months) to garner the greatest tax savings.

CHARITABLE LEAD TRUST

You may create a trust to provide income to benefit both Catholic Charities and yourself or your heirs. By providing income to Catholic Charities for a period of time, say 5,10,15,20 years or more, you can still leave the principal amount to family members. Through the use of the charitable lead trust, it can be possible to transfer assets to heirs with little or no estate and gift taxes due.

Annual income is tax-free to the extent it is paid to Catholic Charities. If you have invested in stock that you do not want to liquidate, but you are willing to gift Catholic Charities with the income for a specified number of years, this can be a win-win situation for both you and Catholic Charities. The stock is retained under your ownership but placed in a charitable lead trust fund.

GIFTS OF REAL ESTATE

If you have owned your home, a vacation home, acreage, or rental parcels for many years, a charitable gift of that real estate can be especially tax-advantageous.

The property may have so appreciated in value over the years that its sale would result in a sizeable capital gains tax. If given outright to Catholic Charities instead, you avoid the tax and, at the same time, realize a charitable deduction for the full fair market value of the real estate.

GIFTS OF LIFE INSURANCE

If you own a life insurance policy that is no longer needed, consider it as the perfect vehicle for an investment in the future of Catholic Charities!

To receive a charitable deduction, name Catholic Charities as both the owner and beneficiary of that policy. If the policy has a cash value, you can take a charitable deduction approximately equal to the cash value at the time of the gift. In addition, if annual premiums are still to be made and you continue to pay them, those premiums will become tax deductible each year. (It's easy to contribute a life insurance policy to Catholic Charities. Just check with your life insurance agent for details on which forms to complete.)

LIFE INCOME GIFTS

With money market rates at about 5%, many stocks pay less than 2% in dividends, your gift of cash or stock to Catholic Charities made in the form of a "life income gift," can actually increase your income!

A life income gift allows you to transfer assets over to us now, and yet continue to receive the income from the cash, stock, or other property contributed. A life income gift can allow you to: (1) increase your income for life; (2) receive a generous charitable contribution deduction; and (3) if you contribute stock, avoid any capital gains tax on the appreciation and remove it from your estate for Federal estate tax purposes!

A life income gift is often made through a trust arrangement called a "unitrust" or an "annuity trust." With a unitrust, you and/or your spouse (or another beneficiary) receive annually a fixed percentage of the fair market value of the assets in the trust. The income received will vary from year-to-year, based upon how the trust's investments perform. With an annuity trust, you and/or your spouse (or another beneficiary) receive a fixed amount from the trust. **This amount is agreed upon when you create the trust; it stays constant, no matter what happens with the stock market or interest rates.**

If you have already considered a provision for Catholic Charities in your will, please note that a life income gift can often be preferable. Such a gift allows you to accomplish your goals during your lifetime and in a tax-advantaged way.

BEQUESTS

While you are considering your annual income-tax savings, this may also be a good time to consider long-term savings. The federal estate tax can easily take 37% to 55% of one's estate at the time of death. That's a higher tax bite than the income tax! It definitely pays to do some advance planning with your attorney and other professional advisors.

We hope you will consider a charitable bequest in your will to benefit the mission of Catholic Charities while you save estate dollars at the same time. Catholic Charities can be named as a beneficiary in a will in any one of a number of simple ways. In any case, you can easily add Catholic Charities to your will

through a simple amendment called a codicil; thus, your entire will does not have to be redrafted.

Tax Law Update: Good news! The old \$600,000 unified credit for estate tax purposes is being increased to \$1,000,000. Bear in mind, though, that this increase is being phased in over ten years, during which time your estate is likely to continue to grow. Plan now to avoid future estate taxes!

GIFTS OF RETIREMENT PLAN ASSETS

Through thoughtful retirement planning, you may find you can: help assure a healthy financial future for you and your loved ones; benefit from significant tax savings; enjoy increased income, asset management, and other economic advantages; and arrange what may be your charitable "gift of a lifetime."

Known as "qualified" retirement plans, these options have traditionally featured income-tax benefits at the same time contributions are made to such plans. The assets in the plans then build tax-free for future enjoyment. Amounts in traditional qualified plans are typically not subject to income-tax until they are actually withdrawn by the owner of the funds. The "Roth" IRA, an option introduced in 1997 tax legislation, differs in that it features contributions of *after-tax* dollars, with tax-free withdrawals in future years.

Because they are included as part of the taxable estate at death, the assets in qualified retirement plans, such as Individual Retirement Accounts (IRAs), 401(k), Keogh, and others, can also be subject to federal (and perhaps state) estate taxes. Investing in Catholic Charities now may lower these taxes and benefit your heirs.

VEHICLE DONATIONS

Call Catholic Charities and we will arrange to sell your automobile. You receive tax benefits for your generous contribution and the proceeds help us to help the poor and disadvantaged.

LEGAL INFORMATION

For your information, the legal title for contributions is:

Catholic Charities of Los Angeles, Inc.

Your gift is tax-deductible to the fullest extent of the law.

Catholic Charities is a tax exempt,
501 (c) (3) nonprofit organization.
Federal Tax I.D. #: 95-1690973

FOR FURTHER INFORMATION AND PLANNING

No one publication can tell you everything you need to know about gift investment opportunities and which method would be the most advantageous for your particular situation. Remember, too, that recent tax law changes add intricacy, as well as opportunity to your tax planning.

Before you make your will and/or other estate plans, be well prepared. Make a list of the people you want to include in your plans: family, special friends, and non-profit organizations like Catholic Charities. List the property you wish to distribute, including securities, real estate, life insurance, retirement plans, and personal possessions. Consider ways to match the people/organization with the property. Finally, note the professional planners you may need to consult: your attorney, banker, accountant, tax advisor, financial planner, investment advisor, or representatives of a charitable interest.

For further information please contact us at:

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