

# Ways to give

*For more information on deferred gifts and  
bequests please contact:*



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Charitable Gifts are vital to the future of the Sunset International Bible Institute and the special ministry training programs it represents to all Sunset supporters. Funds to attract and retain the brightest and best students and faculty, and to provide much needed assistance to students who want to be at Sunset International Bible Institute and could not otherwise afford it, must come through charitable giving.

Once you have decided to make a gift to Sunset, you need to ask yourself three questions:

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*What do I want my gift to accomplish?*

•••

*What type of gift can I give?*

•••

*How can I structure my gift in a way that fits my personal financial plans?*

•••

This publication explains some options and suggests financial and tax considerations you should contemplate in planning your gift. The new tax laws reduce income tax rates and increase the amount that is exempt from estate tax, so many people are finding that they have more assets available to assist their charitable interests, even after taking care of their families. There is no one single method or strategy which is best for everyone. Choosing the proper asset, structure, and timing of your gift is critical to creating optimum advantages for you, your family, and Sunset International Bible Institute.

## **WHAT DO I WANT MY GIFT TO ACCOMPLISH?**

Gifts to Sunset can be given to a number of areas of need, depending on where you want to create the most impact.

**1. Annual Fund.** Yearly donations that are immediately expendable are given through the Annual Fund. Annual gifts provide additional support to Sunset's faculty and staff that may not be adequately covered by support, endowment income, or other revenues. Annual gifts can be designated for specific use in a particular ministry training program or for students scholarships.

**2. Endowment.** Endowments allow gifts to be made in perpetuity to Sunset. These assets are invested and the income produced is used for the purpose you specify. Some endowments carry the name of the donor or someone the donor wishes to memorialize or honor. These endowment funds can provide general, unrestricted support to the Institute, or they can be designated to a specific ministry training program. Endowments can also be restricted to a particular student scholarship fund, or faculty chair. These funds allow Sunset to attract capable and gifted students and faculty and continually improve the quality of its ministry training program

**3. Named Gifts.** Immediately expendable donations can be given to honor or memorialize a friend or loved one. Named gifts may be restricted or unrestricted and may take any of the forms described in this booklet.

**WHAT TYPE OF GIFT CAN I GIVE?**

Just as gifts can be made to Sunset for many purposes, your gifts may take many different forms. The form of gift you decide to make depends on your specific tax, income, or estate-planning needs. Generally, though, there are two primary gift forms: outright gifts and deferred gifts.

**OUTRIGHT GIFTS**

These are immediate gifts of cash or long-term assets such as appreciated securities, real estate, or personal property.

**CASH**, whether from capital or income, represents one of the most vital and critical sources of support to Sunset. Cash gifts are simple to make and receive.

■ **Benefits of Cash Gifts**

**Income Tax savings** - A charitable deduction of up to 50% of your adjusted gross income (AGI) can be claimed the year of your gift (If the charitable deduction exceeds 50% of your AGI, it can be used in the year of the gift, plus five more years, if needed).

**Leveraged Gift Costs** - Actual dollar cost of cash gifts decreases at higher tax brackets due to increased charitable deductions. As income tax rates decrease under the new tax laws, the actual dollar cost to make

charitable gifts will increase, so it is more beneficial, from that viewpoint, to make cash gifts as soon as possible.

**APPRECIATED SECURITIES** include publicly traded or closely held (private) stock that has escalated in market value since you purchased it. Corporate, tax-exempt, and zero coupon bonds are also valuable marketable securities. A donor can retain control of his/her closely held stock while using it to make cash available to Sunset. This is done by donating the stock, then repurchasing it at the current market value.

■ **Benefits of Appreciated Securities**

**Income Tax Savings** - A charitable deduction of up to 30% of your adjusted gross income (AGI) can be claimed the year of your gift. If the charitable deduction exceeds 30% of your AGI, it can be used over the next five tax years.

**Elimination of Capital Gain Tax** - No capital gain tax is assessed against appreciated securities given to the Sunset International Bible Institute.

**New Cost Basis** - If you give closely held stock and buy it back, you can establish a new cost basis for that stock.

**Estate Tax Exemptions & Top Estate Tax Rates after 2001 Tax Act**

| Year | Estate Tax Exemption       | Top Estate Tax Rate |
|------|----------------------------|---------------------|
| 2002 | \$1,000,000                | 50%                 |
| 2003 | \$1,000,000                | 49%                 |
| 2004 | \$1,500,000                | 48%                 |
| 2005 | \$1,500,000                | 47%                 |
| 2006 | \$2,000,000                | 46%                 |
| 2007 | \$2,000,000                | 45%                 |
| 2008 | \$2,000,000                | 45%                 |
| 2009 | \$3,500,000                | 45%                 |
| 2010 | <b>ESTATE TAX REPEALED</b> |                     |

## *Real Estate and Personal Property*

**REAL ESTATE** may be given outright by transferring title for residential, rental, oil and gas, or commercial property to Sunset.

### ■ *Benefits of Giving Real Estate*

**Income Tax Savings** - A charitable deduction can be claimed the year the property is given, and if needed, can be used over the next five tax years.

**Possible Elimination of Capital Gain Tax** - Depends on a number of different factors (which the Sunset Development office is happy to discuss with you).

**PERSONAL PROPERTY** may be anything of value that you own that is not secured to real estate, such as but not limited to, artwork, computers, books, jewelry, and collections.

### ■ *Benefits of Giving Personal Property*

**Income Tax Savings** - If the gift can be used by Sunset in its normal operation, your income tax deduction is the full fair market value as determined by an independent appraisal. If it cannot, your income tax deduction is limited to your basis in the property.

## **OUTRIGHT GIFTS OF REAL PROPERTY**



**Donor**



**Real Property**



These are gifts that will benefit Sunset at a future date. Deferred gifts, like outright gifts, take many forms. Some of these forms, such as bequests and retirement plan arrangements, are revocable at any time. Others, such as gift annuities and unitrusts are permanent once established.

**BEQUESTS** provide support for Sunset beyond your lifetime. Bequests can provide support for general use or a specific purpose, such as creating a named endowment fund. The best way to make a charitable bequest in your will depends on a number of factors, including your assets and family considerations. Sunset can be named as a beneficiary in your will in several ways:

1. A certain sum provides a specific amount set out in dollars. If you update your will regularly and are certain that funds will be adequate to satisfy this bequest along with your other bequests, this may be a good option to consider.
2. A specific property bequest can be a valuable contribution if you know that Sunset needs a particular asset or item to further its long-range goals. Remember that if you sell or otherwise dispose of the asset during your lifetime, you may unintentionally “disinherit” Sunset. Contingent provisions can be made in your will in the event the asset you intended to give to Sunset is no longer part of your estate.

3. A percentage of your estate, like the specific dollar amount, can be given to Sunset through your will. In this way, your contribution will automatically adjust with fluctuations in your total estate.

4. A residual bequest allows you to provide for a gift to Sunset with “what’s left” of your estate after specifically providing for your loved ones.

5. A life income bequest is a testamentary trust or annuity that pays an income to one or more of your surviving heirs for life. At some point, depending on the trust or annuity terms, the fund principal becomes a gift to Sunset. (More information on this is provided in the following section on Life Income Gifts.)

### ■ **Benefits of Making a Bequest**

**No Federal or Estate Taxes** - A bequest from your estate to Sunset International Bible Institute will not be assessed with federal or estate taxes. As the amount exempt from estate tax increases through the years under the new tax laws, you will have more assets available to leave a bequest to Sunset.

**Income to a Survivor** - You can make a bequest which will provide income to a survivor with eventual benefit to Sunset International Bible Institute.

## ***Retirement Plans and Insurance***

**QUALIFIED RETIREMENT PLANS** are an often overlooked resource for charitable gifts. You may want to look closely at your estate and if it has grown to an extent that it will provide adequate retirement income through other investments, your retirement funds may become a tax liability whether you use them yourself or leave them to your heirs.

Federal and (if applicable) state income taxes and estate taxes will be applied to these funds if left to your heirs. This combined tax can be as high as 60 to 70 percent. One way to reduce or avoid these taxes is to use these funds for a charitable gift to Sunset. However, a direct lifetime transfer is usually not a good idea. Most retirement plans are not assignable. To transfer funds, a withdrawal must be made and you would incur the liability for income taxes and sometimes owe an early withdrawal penalty. This would significantly reduce the size of your gift to Sunset. Even if your retirement account can be directly assigned, you will not be eligible for a charitable deduction on those funds that have never been taxed.

The most advantageous and easiest way to convert your retirement asset into a charitable gift is to make Sunset the sole beneficiary of the balance of your retirement account at your death. In community property states, spousal consent is required.

### **■ *Benefits of Giving Retirement Plans***

***Income Tax Savings*** - No income or estate taxes are applied to retirement funds that continue to grow and are then given to Sunset International Bible Institute at your death.

***Elimination of Capital Gain Tax*** - All capital gain taxes are avoided when the plan is given to Sunset at your death.

***Low-Cost Gift*** - Typically these gifts require no legal or management fees and they do not incur any administrative costs.

**LIFE INSURANCE** is primarily intended to secure inheritance for your heirs during the building of your personal estate. If your estate grows to a size where you no longer need this additional security, your life insurance policies can be a good charitable gift resource.

For example, you can name Sunset International Bible Institute as a co-beneficiary, sole beneficiary, or both the beneficiary and owner of the policy. This last option, because it is irrevocable, offers certain tax advantages.

You do not need a large estate to benefit from giving life insurance. Often this is a perfect way for those with limited resources to make a large gift with little out-of-pocket cost.

### **■ *Benefits of Life Insurance Gifts***

***Income Tax Savings*** - When you make Sunset International Bible Institute the owner and beneficiary of a fully paid policy, you can deduct the cash surrender value as a gift. If you make Sunset International Bible Institute the owner and beneficiary of a new policy or of a policy that is not yet fully paid, all additional premium payments are deductible.

***Estate Tax Savings*** - Life insurance gifts are not subject to estate taxes.

**LIFE ESTATE GIFTS OF REMAINDER INTEREST IN HOME, FARM, OR RANCH**

offer a creative way to make a major gift and benefit from a current charitable tax deduction. Under this type of arrangement, you donate your primary home, vacation home, condominium, farm, or ranch to Sunset International Bible Institute and reserve for yourself the right to continue to use this property during your lifetime. Since you have reserved the right to use it, you remain responsible for maintaining the property during your lifetime. You are granting to Sunset, though, at your death the remaining interest in the property.

■ ***Benefits of Life Estate Gift***

***Income Tax Savings*** - An income tax deduction can be claimed based on the value of the remainder interest which is given to Sunset.

***Reduction of Estate Taxes*** - Since Sunset owns the remainder interest, the property is removed from your estate.

***Retention of Income from Property*** - Any income produced from the gifted property, such as rent on a house may be kept by the donor during his/her lifetime.

**LIFE INCOME GIFTS**

Life income gifts include a variety of trust, annuity, and investment arrangements that provide lifetime income for you or someone you designate, and leave the remainder to Sunset. There can be significant advantages with these types of gifts. First, they reduce your overall tax liability through an immediate income tax deduction and long-term savings in income, gift, estate, and/or capital gain taxes. Second, you (or the beneficiary you designate) may receive more income than can be realized through non-charitable annuities and trusts may, in some cases, be tax-exempt. Remember the deduction limit will be 50% of your adjusted gross income for cash gifts and 30% for non-cash gifts.

Once the life income requirements on this gift have been satisfied, the remaining assets pass to Sunset International Bible Institute for the specific purpose you designate. The most common forms of life income gifts include charitable gift annuities and charitable remainder trusts.

**OUTRIGHT GIFTS OF REAL PROPERTY**



**Donor**



**Real Property**

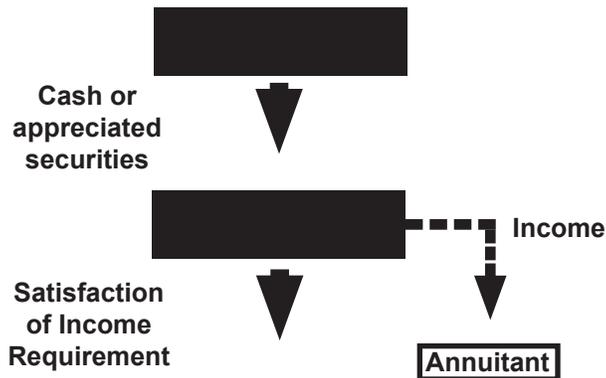
Deed now - Keep right to use for lifetime of you and/or your spouse



## Charitable Gift Annuities

**CHARITABLE GIFT ANNUITIES** are contractual arrangements in which Sunset International Bible Institute agrees to pay you, or someone you designate, a lifetime income. The income amount is determined by using a fixed percentage of the original gift value, the number of annuitants, and their ages. Gift annuities can be funded with cash, appreciated stocks, or bonds. Once established, the annuity contract cannot be enlarged with additional funding. However, additional annuities can easily be created.

Another attractive feature of the gift annuity is that the income stream can be deferred to a future date when income is most needed, such as retirement years.



### ■ Benefits of the Gift Annuity

**Simplicity** - This gift is established with a standard one-page contract between Sunset International Bible Institute and the donor, and does not require outside legal assistance.

**Income Security** - Income to named beneficiary is guaranteed by Sunset International Bible Institute, regardless of the investment climate.

**Tax-Free Income** - Annuity income is partially tax-exempt based on the income beneficiary's age(s).

**Greater Income Potential** - Gift annuity income can often exceed income currently generated by the asset used to fund the annuity.

**Income Tax Savings** - An income tax deduction equal to the current value of the remainder to Sunset, can be claimed the year you establish the gift annuity.

**Capital Gain Tax Savings** - Only a portion of capital gain tax is recognized if the annuity is funded with appreciated assets.

**Estate Tax Savings** - Removing assets from your estate to fund a gift annuity may reduce your estate tax liability.

### ■ Example of Tax and Guaranteed Income Benefits from a Gift Annuity

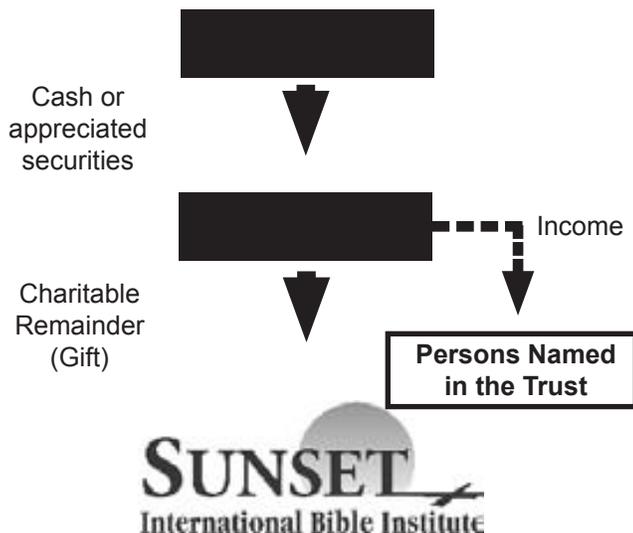
Mrs. Smith age 75, owns \$10,000 in highly appreciated securities that she is considering using to fund a charitable gift annuity to Sunset. The securities now yield a 4 percent return, or \$400 in annual income. Her overall income tax bracket is 28 percent. Here is how a gift annuity would improve her tax and income situation.

|                            | Current  | Gift Annuity |
|----------------------------|----------|--------------|
| Asset Value                | \$10,000 | \$10,000     |
| Cost Basis                 | 5,000    | 5,000        |
| Charitable Deduction       | 0        | 4,158        |
| Income Tax Savings         | 0        | 1,626        |
| Estimated Annual Income    | 400      | 790          |
| Tax-Free Portion of Income | 0        | 235          |
| After-Tax Annual Income    | 288      | 635          |

**CHARITABLE REMAINDER TRUSTS.** These trust arrangements can be very effective methods of making a gift during your lifetime while receiving income for life for yourself or any other beneficiary, or for a specified term of 20 years or less. At the termination of the trust, Sunset receives any remaining assets in the trust to be used for your designated purpose. There are two types of charitable remainder trusts: the charitable remainder annuity trust and the charitable remainder unitrust.

Charitable remainder trusts can be used to meet your income needs or the income needs of those for whom you are caring and have responsibility. Some examples of this would be additional income for your elderly parents or to provide student scholarships during the time your children are receiving their ministry training at Sunset.

**THE CHARITABLE REMAINDER ANNUITY TRUST.** The charitable remainder annuity trust provides a fixed-dollar annual payout. This payout rate is based on a fixed percentage of the original gift value, the number of annuitants, and their life expectancies. The minimum rate is five percent of the original trust corpus.



### ■ *Benefits of a Charitable Remainder Annuity Trust*

**Income Security** - This trust provides a fixed income regardless of the investment climate or total value of the trust.

**Tax-Free Income** - A portion of annuity payments may be managed to produce some income that is tax exempt.

**Greater Income Potential** - Lifetime income you or the named beneficiary receives may exceed income currently generated by the asset used to fund the trust.

**Income Tax Savings** - An income tax deduction is available to the donor based on the estimated value of the remainder of the trust assets which Sunset International Bible Institute will ultimately receive. Unused deductions from the year the gift is made can be carried forward for the next five tax years.

**Elimination of Capital Gain Tax** - Capital gain on appreciated assets used to fund the trust is not recognized.

**Estate Tax Savings** - Establishment of a charitable remainder annuity trust reduces estate taxes by removing assets from your estate.

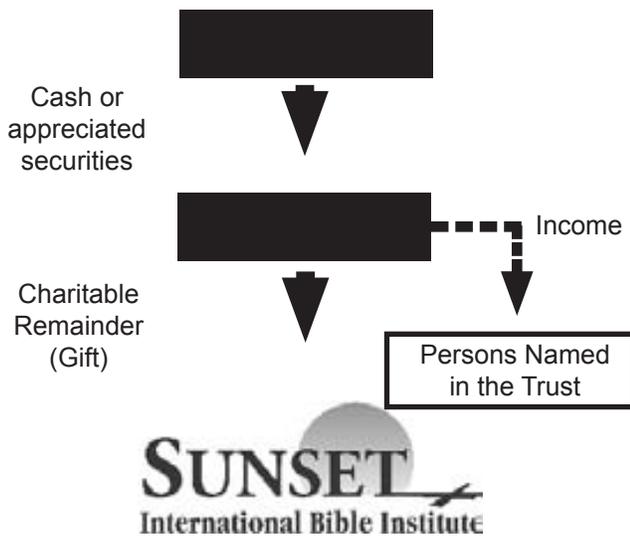
### ■ *Example of Tax/Income Benefits from a Charitable Remainder Annuity Trust*

Mr. Jones, age 68, owns securities he originally purchased for \$20,000 which have now appreciated to \$50,000. He used these to fund a charitable remainder annuity trust, naming himself and his wife, also age 68, as lifetime income beneficiaries, with the trust remainder donated to Sunset. A local bank trust department agrees to manage the trust and pay the Joneses a fixed annuity of six percent per year. Mr. Jones will receive an annual income of \$3,000 distributed in quarterly payments of \$750 for the rest of his life. After he dies, his wife will receive the same. In the year that he established the trust Mr. Jones claims a charitable gift deduction of \$16,247 on his income tax return. Because he funded a charitable gift with appreciated securities, he was eligible to use the deduction of up to 30 percent of his adjusted gross income. Any unused portion of his deduction could be carried forward over the next five years, with deductions of up to 30 percent of his adjusted gross income each year. He also avoided a \$4,200 tax on the \$15,000 capital gain of his securities should he have sold them because he used the securities to fund a charitable gift.

## Charitable Remainder Unitrusts

### THE CHARITABLE REMAINDER UNITRUST.

The charitable remainder unitrust pays a variable income based on a fixed percentage of the annual market value of the assets used to fund the trust. Within limits this payout rate is negotiable, but it must be no less than five percent. The unitrust can be funded with cash, appreciated stock, corporate bonds, tax-exempt bonds, zero coupon bonds, marketable real estate, or income-producing real estate.



### ■ Benefits of a Charitable Remainder Unitrust

**Flexibility** - This trust provides options in payout rate and asset funding; other life income gifts do not.

**Inflation Hedge** - Income payout increases as the value of the trust increases.

**Greater Income Potential** - Lifetime income you or the named beneficiary receives may exceed income currently generated by the asset used to fund the trust.

**Income Tax Savings** - An income tax deduction is available to the donor based on the estimated value of the remainder of the trust assets which Sunset will ultimately receive. Unused deductions from the year the gift is made can be carried forward for the next five tax years.

**Elimination of Capital Gain Tax** - Capital gain on appreciated assets used to fund the trust is not recognized.

**Estate Tax Savings** - Establishment of a charitable remainder unitrust reduces estate taxes by removing assets from your estate.

### ■ Example of Tax and Guaranteed Income Benefits from a Charitable Remainder Unitrust

Mrs. Hamilton, age 60, decides to establish a charitable remainder unitrust funded with \$50,000 in cash and paying her an income for her lifetime of seven percent of the fair market value of the unitrust assets as revalued annually. During the first year of the unitrust, the trust grows by ten percent, and Mrs. Hamilton receives an annual income payment of \$3,500 (seven percent of \$50,000 asset market value). After the first year, the trust has a market value of \$51,150 (\$50,000 plus \$5,000 growth less \$3,500 payment). During the second year the donor will receive payments in the total sum of \$3,605 (seven percent of \$51,150).

In the year that she established the unitrust, Mrs. Hamilton is entitled to claim a charitable gift deduction of \$14,773 from her income tax return. Because she funded her gift with cash, she was eligible to deduct up to 50 percent of her adjusted gross income. Any unused portion of her deduction could be carried forward over the next five tax years, with deductions of up to 50 percent of her adjusted gross income each year.

**CHARITABLE LEAD TRUSTS** are unique trust arrangements in which income from the trust flows first to Sunset International Bible Institute, over a defined term of years or a life expectancy, with the remainder of the trust passing to other beneficiaries. The term “lead” applies to this trust because the funding interests of the charity are given the lead, or priority, over the interests of other beneficiaries.

A charitable lead trust can be funded with cash, appreciated stock, corporate bonds, tax-exempt bonds, zero coupon bonds, marketable real estate, or income-producing real estate. The payout can be in the form of annuity or variable income. There is not usually an income tax deduction for assets placed in a charitable lead trust, but income and estate taxes can be reduced. This trust can be established during your lifetime or through your will and works well for philanthropic-minded people who have many accumulated assets that could pose large estate-tax liabilities.

■ **Benefits of a Charitable Lead Trust**

**Income Tax Savings** - Assets you place in a lead trust remove the yield from your income and may reduce your income tax liability.

**Estate Tax Savings** - Removing assets from your estate to fund a lead trust may reduce future estate tax liability.

**Tax-Free Transfer of Asset Growth** - This trust is designed to allow the growth of assets in trust to be passed to heirs free of gift or estate taxes.



**Donor**



**Charitable Lead Trust**



**Family Members  
or  
Other  
Loved  
Ones**



Income  
for  
specific  
term of  
years



## *Closely Held Business Interests*

### **CLOSELY HELD BUSINESS INTERESTS**

Gifts of closely held business interests offer many opportunities to reduce your taxes. Gifts of closely held business interests allow donors to create a current income tax deduction without using their cash.

Gifts of limited partnership interests allow the donor to retain effective control of the business in addition to the creation of a current income tax deduction. If the limited partnership sells its appreciated assets when Sunset International Bible Institute owns all of the limited partnership interests, the limited partnership offers tax treatment for the sale similar to charitable remainder trusts.

Gifts of family limited partnership interests combine all of the tax advantages for gifts of closely held business interests with the opportunity for business succession to younger family members. If family members won family limited partnership interests along with Sunset International Bible Institute, a purchase of the Sunset interest leaves the family members as the only remaining owner.

### ■ ***Benefits of Gifts of Closely Held Business Interests***

***Tax Deduction*** - You can deduct the value of the gift without expenditure of cash.

***Retain Control of Business*** - A donor retains control of the business while still benefitting from an income tax deduction.

***Transfer of Business to Other Family Members*** - Gifts of closely held business allow your family to buy the business back from Sunset International Bible Institute.

***Establish New Cost Basis*** - When the business is purchased from Sunset International Bible Institute, a new cost basis can be established for the business.

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### **HOW CAN I BEST STRUCTURE MY GIFT?**

**Y**ou may structure your total gift to the Sunset International Bible Institute over a number of years. Using methods of both outright and deferred giving can allow you to manage and preserve your own resources for you and your family and also allows you to make a larger contribution than might be otherwise possible with a single gift.

Before solidifying gift plans, it is best to consult with your personal legal and financial advisor.

### **CONSULT WITH YOUR ADVISOR**

**P**lease consult with your attorney, accountant, or other estate planning advisor before making a gift to Sunset International Bible Institute. The staff pledges to assist you in any way possible to assure that your giving experience will be a satisfying and rewarding one.



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