Cardinal Cushing Centers

Giving Wisely

A Newsletter of the Planned Giving Advisory Committee

Welcome

Cardinal Cushing Centers' Planned Giving Advisory Committee is committed to helping Cushing's donors learn about the many different tools available to them for estate and financial planning. Whether you are looking to save on taxes, get the most to your family, or give to charity, there are many options available to you. This month's article features just one option. Thank you for your interest in Cardinal Cushing Centers and for considering naming us in your estate plans.

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Learn more about our advisory committee.

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Learn more about Planned Giving.

Wealth Replacement Trusts

Did you know that in Massachusetts, an estate worth over $1 million will pay a MA estate tax on the entire estate, not just the amount over the $1 million? Did you know that it is possible to minimize or even eliminate estate taxes if you choose to structure your estate in a tax efficient manner? For example, a single taxpayer with a $1.5 million taxable estate (net of expenses) at the time of passing would be subject to an approximate MA estate tax of about $64,400. If that same person were to make a lifetime or an at-death charitable gift of at least $500,000, the taxable estate would be $1 million or less, and no MA estate tax would be due! That same person may wish to pass the full $1.5 million to family members, still not pay estate tax and make a charitable contribution to the charity of their choice.

Query: Can this be done? YES!

In this circumstance, the person would still make a $500,000 donation to the charity, thus reducing their estate to $1 million or less. They would then establish a Wealth Replacement Trust (WRT) which is essentially an irrevocable trust outside of the person's estate and direct control. A separate trustee may be empowered to obtain a life insurance policy on the person with a $500,000 death benefit to ultimately provide for family members at the time of death.

To pay for the life insurance policy the person now makes annual cash gifts to the WRT which the Trustee uses to make the required annual premiums. When the person dies, the proceeds from the life insurance policy go into the WRT, are estate and income tax free and can be used for the benefit of the person's heirs. This amount, in addition to the $1 million estate ensures that the family receives the full $1.5 million upon the person's death.

Using this strategy, they passed $1 million of their estate on to the family free of estate taxes, the $500,000 death benefit now in the WRT was passed to the family free of estate taxes and the charity received a transformative gift of $500,000.

This is "win-win" financial, charitable and estate planning - benefitting both family and charities tax efficiently, and avoiding what would have been a significant tax obligation to the government. There are many strategies such as this available. It is important to work with your attorney and financial professional to discuss options that may be suited to your specific estate planning needs.

James L. Van Arsdale, MBA is a registered representative of and offers securities, investment advisory and financial planning services through MML Investors Services, LLC. Member SIPC. Supervisory office at 101 Federal Street, Suite #800, Boston, MA 02110. (617) 439.4389. The information provided is not written or intended as specific tax or legal advice. MassMutual, its employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own person legal or tax counsel.

A Gift From the Harris Family

For Phil and Rita Harris, the decision to name Cardinal Cushing Centers in their will was an easy one.Their son Traves, 36, started at Cushing as a student at age 16. He now lives in a Cushing residence and participates the adult programs.

"Cardinal Cushing Centers is his home,where he'll grow old,"said Rita."Obviously our interest starts with Traves, but it grows from there.We want the organization to thrive for future generations."We would do everything possible to build the financial security of this center,"said Phil."We're so thankful and so passionate about the program and the wonderful job that everyone does here, I get choked up just thinking about it."