

Charitable Remainder Trust

Employees Are Able to Turn Tax Liabilities into Retirement Dollars, Company Goodwill, and Community Legacy

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Are you employed by a corporation which offers stock options with appreciation potential? Are you concerned about financial security relying on the performance of one company's stock? If so, you may look into IRS approved tax strategies to reduce the tax burden and simultaneously diversify your stock portfolio in a tax efficient manner. You may consider using the Charitable Remainder Trust (CRT) strategy, if you have the following life goals:

1. Receive a lifetime income stream no matter how long you live
2. Leave a specified dollar amount to your heirs
3. Reduce income or capital gains tax
4. Diversify your portfolio, especially if your company stock is a major portion of your investment portfolio.

If you are an employee with stock options with appreciation potential, you will have to give up some of your wealth either to the government or to the community. The latter wealth is called *social capital* – the portion of our wealth that benefits others. The difference between donating a gift and paying taxes is *control*. When you pay taxes to the government, you lose control of your social capital. But when you donate to a charity, you maintain *control* of your social capital. Additionally, leaving financial gifts to your loved ones may be one of your most important goals. A potential strategy that reduces your current taxes and leaves more money to give to your heirs may be worth considering. A hypothetical tax strategy can better demonstrate a way to meet your goals. If you created a CRT, you can do the following:

1. You can continue to exercise your stock options.
2. After holding your stock for one year, you can contribute stock to the CRT annually for a certain amount of years. For example, suppose you contributed stocks worth \$50,000 to your CRT annually for 10 years. As a result, you will receive a \$165,000 income tax deduction. The tax deductibility of your contribution is based on your current age and life expectancy, unlike the regular tax deduction taken for charitable contribution. Assuming your current age is 46 and you are in a 40% combined state and federal tax bracket, you could potentially get \$165,000 of tax deduction over a period of 10 years.
3. You can act as the trustee of your own CRT, and you can sell the stock and invest the proceeds that will compound tax-free until you retire into a variable annuity.



4. In order to replace the donated stocks' value of \$500,000 to the CRT (\$50,000 x 10 years), you could buy a life insurance policy worth \$500,000 on your life and make your children or other heirs the beneficiaries. Upon your death, \$500,000 will go to the beneficiaries income tax free. This is based on the assumption that you as the donor/insured is a 46 year old female in good health. You may be paying an annual out-of-pocket premium of \$10,000 for the next ten years. Thereafter the policy is assumed to continue as a paid-up policy for the rest of your life. By making the annual contributions of \$50,000 of stocks to your CRT and assuming that the assets in your CRT (variable annuity) grow at a hypothetical rate of eight percent annually, the account balance at your retirement could be approximately \$1,460,000 after expenses. Presuming that you are in a 40% tax bracket, you could potentially receive \$70,000 of after-tax income starting at the age of 56.

5. Upon your death, your beneficiaries could receive \$500,000 of tax-free death benefit from the life insurance policy. This \$500,000 will replace the stocks you had donated to the CRT, and your designated charity will receive the remaining balance of the CRT upon your death.

By utilizing this strategy, you may be able to enhance your financial success leaving a legacy to your community through your preferred charity – a success for everyone except the IRS. The amount of options available to successful employees to achieve these goals is numerous and can be complicated. The help of a qualified financial advisor can help you choose the plan that is right for you. No strategies are right for everyone and you deserve the attention of a trustworthy advisor to meet your needs.

The CRT strategy illustrated in this article is hypothetical including the tax savings and rate of return of the investments and premiums for the life insurance policy. The tax savings and life insurance premiums will vary based upon the tax bracket and the age of the donor/insured.

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Do You Care Enough to Share?



OCTOBER 2005

CARE AND SHARE

A non-profit (501 c(3)) International Charitable Organization. Federal Tax ID: 36-3708966

Do You Care Enough to Share?

CARE AND SHARE, USA, an international organization is collaborating with several organizations spreading its wings beyond the borders to several overseas countries. Our efforts in India focus on the physically and mentally handicapped—especially children who are afflicted, isolated and untreated. Through its need-based, tailor made humanitarian efforts Care and Share reaches the most needy and poor in many parts of the globe, where it is well received and appreciated. Care and Share programs have given a special focus to Kerala's special needs at various levels. For this Government of India Permission has been obtained for the functioning of a Liaison Office at Cochin and the details of its income and expenditure are being audited annually and reports presented to the government as per requirement. Since the formation of the Kerala Chapter in 2001 Care and Share has already made an impact in the field of social services in this problem state. The volunteers who join the ranks of Care and Share include Physicians of various specialties, Professors, Lawyers, Chartered Accountants, Developers, Senior journalists, Housewives and college students.

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Medical Camp Inauguration



Registration



Patients Waiting



General Checkup

Care and Share: Kerala Chapter

CARE & SHARE has focused on helping children with multiple disabilities in India. Because of the stigma attached to disorders such as cerebral palsy, autism, and Down's syndrome, the affected children are often abandoned without proper medical care. Through facilities, such as Raksha (protect) House in Cochin, India, CARE & SHARE contributes to the

medical, housing, and educational needs of these children. Medical specialists are being sought to help improve the facility's equipment and methods. Each person involved in CARE & SHARE works solely on a voluntary basis. This helps to ensure that money donated finds its way into the hands of deserving recipients.

In 2004, only 1.1% of the total donation to Care & Share was used as administrative expenses.

Projects Supported

Capernaum Sneha Sisu Bhavan: A home and shelter for the most unattended destitute. Donbosco Road-Pushpaka Road, Vaduthala, Kochi 23.

Juliet Joseph, a thirty year old Catholic Nun appears in the streets of Cochin Metropolitan City nowadays as an angel to care the uncared, unattended destitute. Following the foot steps of legendary Mother Theresa, she looks after more than thirty such people including lunatics and chronically ill men in a tiny rented house. Virtually everyday Sister Juliet begs before generous people to meet the expenses for their medical treatment, clothes and daily bread. Care and Share is regularly extends its hand to help Sister Juliet in her mission to serve the poorest thrown into the streets. What Sister Juliet needs at present is a shelter of their own to accommodate the inmates increasing everyday. Only the generous donations of Good Samaritans will help her to fulfill her dream of having a home of destitute.

Maithri: An organization fighting against an alarming unique threat to the society

Care and Share provides an annual grant of Rs.10,000 to Maithri, a voluntary Organization caring the desperate, lonely and the suicidal for their various rehabilitation activities. Maithri, based at Cochin functions with voluntary services of Doctors, Professors and social activists in giving contributions in fighting the fast growing suicide tendency in Kerala which is an alarming threat to the society.

Other Projects

- Friends of the Air:* Divyahrudya Ashram Chennaipara Peechi (For Disabled children)
- St. Vincent De Paul Society:* Mount Carmel Church, Kara, Kerala (For poor people's Marriage Assistance Program)
- Center For Excellence, Trivandrum:* Scholarship for Needy Children
- Cochin Kidney Foundation, Cochin:* Financial Aid for Needy Kidney Patients
- Adarsh, Cochin:* Cerebral Palsy Center
- Jeevodaya Provincial House, Alwaye:* Financial Aid for the Aged Home



Urology Consultation



Eye Examination

Following the foot steps of legendary Mother Theresa, she looks after more than thirty such people including lunatics and chronically ill men in a tiny rented house.



Ultrasound Scanning

Value-based Analysis of Medical Services

Services	2002	2003	2004	2005*
No of Medical Camps	13	10	7	4
Total Patients Served	3730	3301	1958	499
Free Eye-glasses	1525	1009	1525	175
Cataract Surgery	99	22	41	12
Ultrasound Scan	91	400	525	100
PAP Smear (Gynec)		30	30	
Value-based Analysis †	15.06	10.71	11.03	

* – Upto July

† – In Lakhs of Rupees

Revenue and Expense Trending (in US Dollars)

Year	2000	2001	2002	2003	2004
Revenue for the Year	61,644	139,800	18,715	9,475	28,637
Fund Balance from Prior Year	30,085	45,773	156,785	47,155	50,295
Allocation and Disbursement for Charitable Projects	44,470	27,340	125,930	5,900	19,501
Administrative Expenses	1,486	1,448	2,415	435	896
Administrative Expenses %	1.62	0.78	1.38	0.77	1.14
Revenue over Expenses	45,773	156,785	47,155	50,295	58,535

Now It is Your Turn to Help...

I would like to direct my donation for the following causes

Name

Address

City State Zip

Feeding the Poor Asthma Care Diabetes Cancer Care

Orphanages Eye Care Education Aid for Poor Other (specify)

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