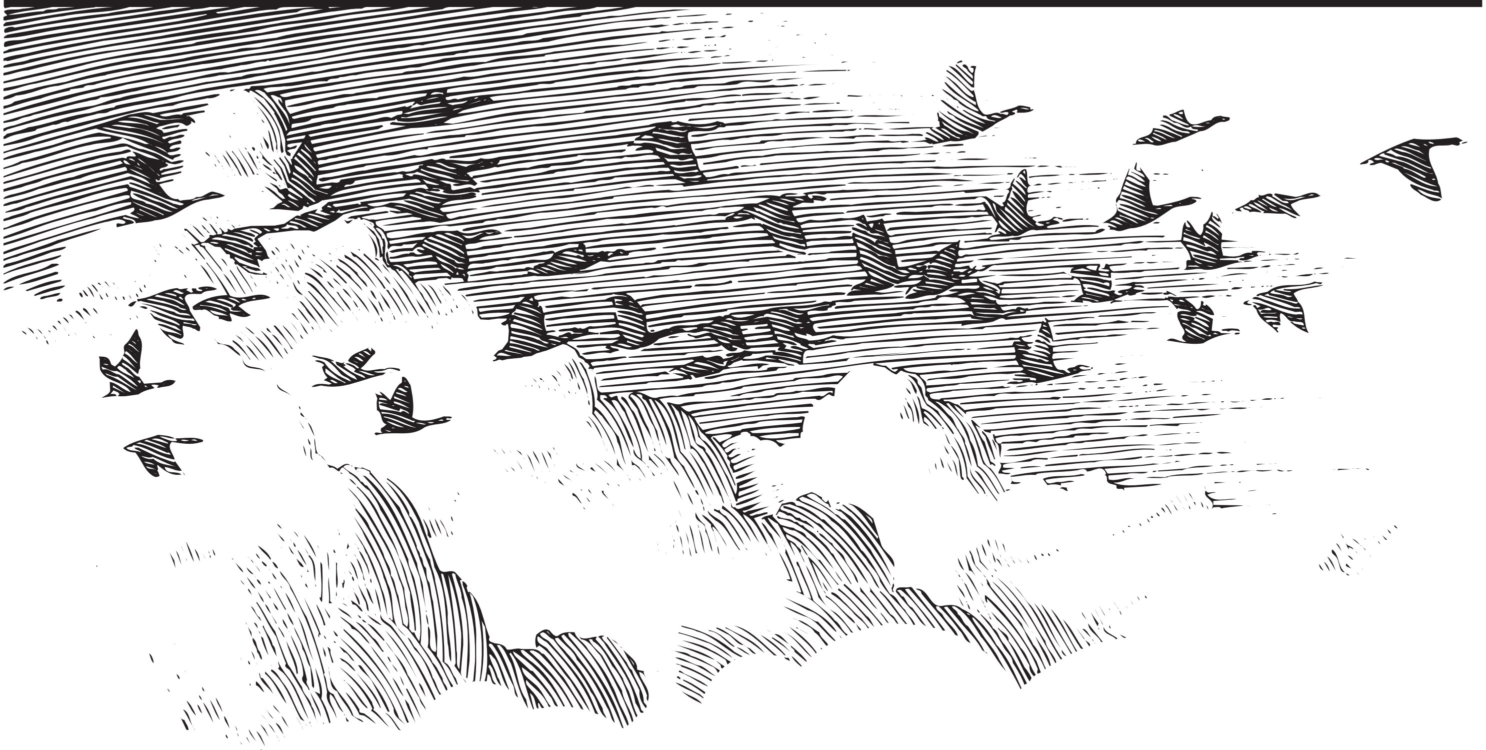
The FAITHFUL STEWARD

A Planned Giving Newsletter sponsored by Old St. Mary's Parish



Not Your Usual Year-End Planning

Uncertainty about taxes complicates planning as we head into the final weeks of 2012. Will income tax rates go up next year? Will the estate tax shelter (the amount individuals can pass at their death free of estate tax) drop to only $1 million from $5.12 million? What tax rates will apply to capital gains and dividends? Only time will tell, but here are some suggestions for 2012, based on the laws in effect now.

Consider a Roth IRA conversion

If you're thinking of converting from a traditional to a Roth IRA, you probably know that the funds will be taxed upon the transfer. If you initiate a transfer in 2012, you'll pay income tax at a maximum rate of 35%, rather than the top rate of 39.6% that's scheduled to begin next year. You can make a partial conversion of only the amount that won't push you into a higher tax bracket.

Perhaps 2012 is a good time to sell stock

Consider whether it makes sense to liquidate some stocks or mutual fund shares to lock in long-term gains and pay tax at a 15% rate, rather than waiting until next year when the rate is set to increase to 20%. If it's a stock you would like to hold on to, you can buy it back and end up with a higher basis. But if you sell stock that has gone down from what you paid, don't buy it back within 30 days or your capital loss deduction will be postponed under the wash sale rules.

Take full advantage of the $5.12 million Gift Tax Exclusion

You may know that all gifts made during your life of $13,000 or less are gift tax free. You may also know that your gift tax exclusion currently allows you to make $5.12 million in taxable gifts during your lifetime without incurring any gift tax. 2012 might be the year to use some of that $5.12 million gift tax exclusion. Making gifts to family members – even beyond the $13,000 allowed gift tax free to as many people as you wish – may be a smart year-end move. Lifetime taxable gifts up to $5.12 million are sheltered from gift tax through 2012, although you will have to file a gift tax return. Not only

(continued on the next page)

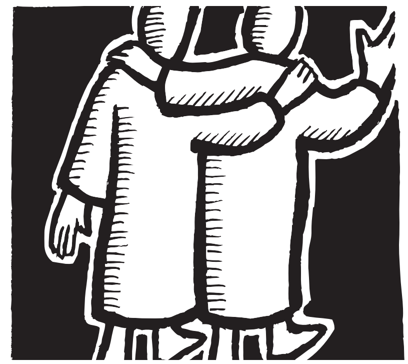
Not Your Usual Year-End Planning *(continued)*

will this reduce your gross estate in the event the estate tax credit drops, but all future growth in the gifted assets could be shifted to family members in lower income tax brackets.

2012 might be a good time to make charitable gifts

Consider making gifts to your parish and other worthy charities this year, possibly even accelerating your 2013 gifts into 2012. Several proposals in Congress would limit the charitable deduction allowed to high-income taxpayers, establish a threshold before charitable deductions would be allowed or replace the charitable deduction with a credit. For 2012, a donor in the 33% bracket who gives $1,000 is entitled to a deduction that will save $330 in income tax. You can even make a gift today to Old St. Mary's Parish – and enjoy a current tax deduction – while retaining income for life.

With all the uncertainty over taxes, it makes sense to consult your tax adviser to determine what steps you should take before year's end. Your attorney can also advise you whether your current estate plan needs to be revised, either before year's end or early next year. Rich Goode, the Archdiocese's Director of Planned Giving, is a lawyer who is well versed in this field. He would be happy to discuss ideas for continuing your financial support of the Church and work with your attorney if you wish to include a bequest for the future of Old St. Mary's Parish.



Do not forget to do good to others. And share with them what you have.

A Will Alone May Not Be Enough

Most people agree that having a current will is important – even though more than half of all Americans die without one. But even a will doesn't cover the entire estate. Many assets pass outside a will or living trust, and it's important to consider all beneficiary designations and how they coordinate with your overall estate plan.

Joint ownership

Assets held in joint tenancy pass automatically to the surviving joint owner. That's generally the goal in the case of married couples, for example. But if you set up a joint bank account with a child simply to allow the child to make withdrawals on your behalf, you may not intend for the funds in that account to go to that child at your death, to the exclusion of others. Even if you intend for the joint owner to inherit everything at your death, consider naming a contingent beneficiary such as your parish to receive the assets if your joint owner dies before you.

Retirement plans

IRAs, 401(k)s and other retirement plans are, for many people, their largest assets. If you're married, federal law requires that your 401(k) plan (but not an IRA) automatically pass to your surviving spouse unless a spousal waiver has been signed.

If you list a beneficiary on your IRA custodian's form and name a different beneficiary in your will or living trust, the beneficiary form prevails.

Minor beneficiaries

It may make sense to name a grandchild to receive tax-deferred assets, particularly retirement accounts, which can then be distributed over the younger person's lifetime. But you may want to do so in a way that controls the funds, at least until the child reaches age 21. Leaving assets in trust gives you the flexibility to direct how and when assets will be distributed.

Old St. Mary's Parish as beneficiary

You can name Old St. Mary's Parish as the beneficiary of many accounts, including IRAs, often with favorable tax results.

To learn more about ways to leave your bequest, including plans that allow you to split the benefits between charity and family members, please let us know. We hope you will consider your parish as a charitable beneficiary in your estate.

Learn more about maximizing the tax benefits of giving and receiving an income for life and more. Please call Rich Goode, Director of Planned Giving for the Archdiocese of Chicago at 312/534-7848 Check out our web page at www.parishgift.org

Personal Planning Before Year's End

On January 1, 2013, many favorable income tax provisions are scheduled to expire, leaving taxpayers with higher tax rates, fewer tax breaks and the return of various penalties. Taxes on capital gains and dividends would go up, as well.

Will our lawmakers allow all this to happen? The answer to that question probably won't be known until a "lame duck" session of Congress convenes toward the end of this year. To help with your planning amid this uncertainty, the Archdiocese of Chicago is pleased to offer our comprehensive new publication, *Personal Planning Before Year's End*. We encourage you to send for your free copy.

This new guide book reviews conventional year-end tax planning strategies and how anticipated tax changes might impact today's tax and investment decisions. Estate plans also should be reviewed, and perhaps revised, depending on what Congress does about estate tax exemptions. Finally, the remainder of 2012 may represent a "window of opportunity" to assist organizations, like Old St. Mary's Parish, that are important to you. The June 9 Wall Street Journal contained a long article suggesting that, in view of various "sunset" provisions contained in current tax laws (i.e., tax rates are slated to go up considerably on January 1), the tax rewards for charitable giving may never be better than they are right now, in 2012. Furthermore, the incentives for giving could decline considerably after this year under legislative proposals that could:

- Limit the tax savings from charitable giving for donors in high tax brackets;
- Permit charitable deductions only above a certain floor (similar to medical expense deductions);
- Replace the charitable deduction with a less generous tax credit;
- Calculate donors' tax savings under a lower "flat tax" rate.

With all that in mind, 2012 may be the best time to follow through with important contributions you may have been considering to charities like Old St. Mary's Parish including gifts of stocks that have grown in value (and that you have owned more than one year). Charitable gift annuities, which make lifetime payments, to one or two people of your choice, can be especially attractive. Charitable remainder trusts may appeal to those who wish to "custom design" gifts that provide them with lifetime income.

The staff at the Archdiocese would be pleased to assist you in planning any gift for our Church's future. Our goal is to ensure that your generosity provides you with the maximum in tax rewards –and personal satisfaction.

Do not work for the food that perishes but for the food that endures for eternal life.

John 6:27a

Are You Ready for Social Security?

Don't expect to walk into the Social Security office on your 66th birthday and find a check waiting for you. You'll need to start paperwork several months before that first payment is ready. Before that, you should verify that your earnings have been properly reported. Social Security formerly mailed annual statements to all wage earners, but those notifications have been halted for many workers. Instead, the information is available at www.socialsecurity.gov. The website also contains helpful calculators, charts and answers to frequently asked questions.

Old St. Mary's Parish - The Faithful Steward

☐ **YES!** Please send me your booklet "Personal Planning Before Year's End"

☐ I am considering a provision in my will for Old St. Mary's Parish

☐ I have already provided for Old St. Mary's Parish in my will/trust

NAME

ADDRESS

CITY STATE ZIP CODE

HOME PHONE E-MAIL

Please cut this slip out and mail it to:

Richard S. Goode, Director of Planned Giving • Archdiocese of Chicago • 835 N Rush St. • Chicago, IL 60611