

APPRECIATED PROPERTY: AVOID CAPITAL GAINS AND HELP YOUR PARISH

Recent conventional wisdom has held that real estate is a very wise investment. More stable than the stock market, real property often experiences an increase in value within a few years of ownership, and sometimes that increase can be dramatic. The main drawback to property that has appreciated in value, of course, is the capital gains tax that the owner must pay if the property is sold. Even with the recent reduction in capital gains rates, Uncle Sam can still send a rather large bill if you sell highly appreciated property. However, if a property owner would like to sell the property, guarantee himself or herself, and possibly heirs, an income for life, and provide some assistance to the church, a certain type of gift is available to meet these goals.

This charitable gift is called a Flip Charitable Remainder Unitrust, or flip trust, and it can be created in a step-by-step process.

- A donor who would like to make such a gift has an attorney draft a Flip Charitable Trust document. If the donor wishes, the Episcopal Church Foundation's attorney will draft this document free of charge, for review by the donor's attorney.
- In the trust document, the donor establishes who will receive lifetime income payments from the trust. Recipients can be the donor, the donor and spouse, or the donor, spouse, and their children or grandchildren.
- The donor also specifies the local parish or Episcopal entity that is to receive the remainder of the trust after the last of the income beneficiaries is deceased.

- The Episcopal Church Foundation and State Street Bank can serve as trustees of the trust (many banks offer these types of services, as well).
- Once the charitable trust has been established, the donor changes the title on the property from the donor's name to the name of the charitable trust (for example, The John Smith Charitable Remainder Unitrust would become the owner of the house at 1222 Main Street).
- The value of the gift (which is used to determine the charitable deduction the donor receives) is the appraised value of the property.
- The trust sells the property and the proceeds are deposited into the trust; in the year following the sale of the property, the donor or other designated beneficiaries begin receiving payments that will continue for life.
- The donor also receives a charitable deduction for the year in which the trust was created.
- Finally, by donating the property to the trust to a not-for-profit entity, capital gains taxes are avoided.

Representatives at the Episcopal Church Foundation are happy to explain this process in more detail, and to work with you and your parish to find the best way to support the ministries that you most value. For further information on the Flip Charitable Remainder Trust and other charitable gifts to benefit your parish, please contact someone on your planned giving committee or the Episcopal Church Foundation at 800-697-2858 or www.EpiscopalFoundation.org.