A Financial
Planning
Guide

YMCA

heritage

North Carolina and
South Carolina Area YMCAs

Save on Taxes

Support the YMCA at Year-End

Believe it or not, you can limit the amount you will owe Uncle Sam next April 15. Regardless of what type of gift you give, donating before the end of the year qualifies you for a charitable deduction if you itemize when filing your taxes.

Ways to Give

When deciding what type of gift to give, feel free to contact the YMCA to learn more about our programs and upcoming events. If you don't wish to donate to a specific area, we always welcome unrestricted gifts, which allow us to designate your funds to meet our most pressing needs.

Although cash is always welcome, you may also consider gifts of appreciated stock or real estate held for more than one year. These types of gifts avoid capital gains taxes, and you can usually deduct the fully appreciated value of the gift for income tax purposes. But, unlike writing a check or giving cash, these gifts take more time to complete. Be sure to plan ahead if you want to take a deduction for the current year.

We Can Help

Whether you face high taxes, wish to take advantage of your employer's matching gift program or simply want to help the YMCA, make your gifts now against this year's taxable income. Feel free to call us with any questions.

If you want to make a gift to the YMCA, consider giving by the end of the year. You'll feel good about helping others and receive a charitable deduction for 2008.

Your contribution this year can make a difference for years to come.

SOLD! To My Favorite Charitable Organization

A bargain sale is a donation technique in which you sell property for less than its full fair market value to a qualified charity like the YMCA.

For example, imagine you sold us a piece of land worth $100,000, for which we paid the bargain price of $30,000. In effect, you would be making a $70,000 gift to the YMCA. In exchange, you are entitled to a tax deduction generally based on the difference between the property's fair market value and the sale price—in this case, $70,000.

Your Benefits

Aside from earning a charitable tax deduction, a bargain sale lets you:

- Save significantly on capital gains taxes.
- Enjoy benefits similar to those you would have received by selling the property at today's fair market value, because you'll get the bargain sale proceeds and the charitable tax break.
- Control the timing of the sale, which, in the case of a personal residence, can allow you to avoid moving at an inopportune time.
- Generously support our important work, even if you cannot afford to donate the property in full today.

Need More Information?

To learn more about what types of real estate you can donate or to simply dig deeper into the specifics of a bargain sale, feel free to contact us at no obligation.

It's a bargain! Sell us your property for less than what it's worth and take home the benefits.

Your support is invaluable.

North Carolina and South Carolina Area YMCAs

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The Best Is Yet to Come—Will You Be Ready?

It's not uncommon to think of retirement as a long vacation—the opportunity to relax and enjoy the things you never had time for during your working years.

With proper preparation, retirement truly can be a vacation of 20 or 30 years, or longer. But when you consider the planning it takes to go on a one-week family vacation, you can appreciate the preparation that retirement requires.

Facing the Facts: A Realistic Approach

For most people, the transition from regular paychecks to an income based on assets and Social Security requires at least some financial adjustments.

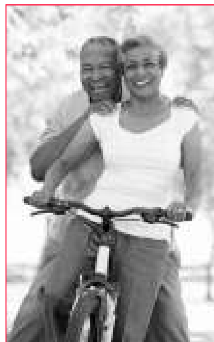
Prepare by calculating your estimated retirement income and expenses in advance. A general rule used by many financial professionals is that you'll need at least 75 percent of your working income to maintain your present lifestyle after you retire.

Also consider that you'll need enough income to accommodate your day-to-day retirement expenses over the length of time you're expected to live in retirement. Based on data from the National Center for Health Statistics, a man aged 65 could expect to live another 17.2 years; a woman the same age, another 20 years. After reaching 75, a man could expect to live another 10.8 years; a woman, 12.8 years.

You can receive income for your retirement when you support the YMCA with a charitable remainder trust.

Doing the Math: Taking Care of Business

Once you've determined how much annual income you'll need along with your life expectancy, you can calculate the lump sum amount necessary to carry you throughout your retirement years. Figure your nest-egg requirements by using a free online calculator; simply type "retirement calculator" into any search engine.



Example: *A husband and wife, both aged 65, want to retire within one year with $75,000 in annual income. Based on their life expectancy, as well as approximately $19,000 per year in Social Security payments and an annual inflation rate of 3 percent, the couple would need to have a nest egg at retirement of just less than $600,000—primarily invested in income-producing stocks and bonds.*

When preparing your finances for retirement, don't forget about incorporating your yearly charitable contributions into your plans.

Receive Income for Retirement

Perhaps instead of worrying about yearly charitable contributions—or maybe in addition to your annual gift—you would like to instead make a donation after your lifetime. You can accomplish that goal and allow yourself to feel more secure in your retirement by establishing a charitable remainder trust.

This arrangement allows you to:

- Make a gift to a charitable trust you create.
- Receive income for life.
- Take an immediate tax deduction for a portion of the amount donated.
- Avoid up-front capital gains taxes if appreciated property is used to fund the trust.

The information in this publication is not intended as legal advice. For legal advice, please consult an attorney. Figures cited in examples are for hypothetical purposes only and are subject to change. References to estate and income tax include federal taxes only. Individual state taxes and/or state law may impact your results.

There are several types of charitable remainder trusts, including:

- A ***charitable remainder annuity trust,*** which pays a fixed dollar amount to you each year based on the value of the assets at the time the trust is funded.
- A ***charitable remainder unitrust,*** which pays you a variable amount each year based on a percentage of the fair market value of the trust. The trust's value, and hence the payout, is redetermined annually.

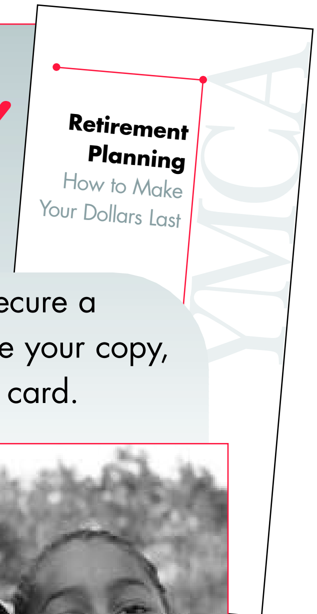
Call Us

We invite you to consult with us about creating your own distinctive gift plan that can increase your cash flow, decrease your current income taxes and help perpetuate our mission.

Free Guide!

Enjoy Your Retirement Years Without Worry

Our FREE guide can help you secure a sound financial future. To receive your copy, simply return the enclosed reply card.



A Financial Quiz for Couples

Successfully sharing money with another person doesn't happen automatically. Even the best of partners need to establish a system for keeping up with day-to-day as well as long-term spending issues. Whether you are recently married for the first time, remarried or have been together for many years, it's important to have compatible answers to the following questions.

Where do you get cash in an emergency?
Experts advise setting aside three to six months' worth of expenses into an account that will pay you interest but that you can easily tap into when you need cash quickly.

What sorts of purchases are OK to charge on a credit card?
If you haven't already, determine how much and what type of credit is acceptable to both of you. Each member of a couple should have credit separately in order to build a personal credit history in the event it may be needed in the future.

Will you give to causes you care about?
When you make donations to a charitable organization like the YMCA, you're giving away more than your money. You are, in a sense, transferring one of your most precious assets—your values. To discover the many ways you and your spouse can support the YMCA, just give us a call.

How much are you saving for retirement?
To make sure you will both be able to live comfortably in retirement, it is important to make sure you are saving wisely. The earlier you start saving, the better. Don't overlook the multiple benefits of employer-matching contributions, too.

What will happen to your assets when you die?
Creating an up-to-date will is the first step toward disposing of your estate. Make sure your family and your loved ones are taken care of after you're gone.

We build strong kids, strong families, strong communities.

Increase your retirement income and support the YMCA with a charitable remainder trust.

More tax savings. The tax benefits don't stop there. If you fund the trust with appreciated securities you've owned longer than one year, you are entitled to an income tax charitable deduction for a percentage of the securities' full fair market value instead of their lower cost basis. The deduction depends on the trust payout rate, the age of the beneficiaries and an IRS-supplied interest rate.

Example: *Let's look at what this means for David from the previous example. Upon establishing his unitrust, he is entitled to an immediate income tax charitable deduction of $39,125.* In his 28 percent federal tax bracket, he could realize income tax savings totaling $10,955.*

*Assuming quarterly payments and a 3.4 percent charitable midterm federal rate

Don't Try to Plan All by Yourself

Managing your money before and after retirement tests your personal skills in ways you may not anticipate. Seek qualified professional help from people you know and trust.

We invite you to meet with our representative—with no obligation—for a discussion on how you can stretch your retirement dollars.

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Retirement Planning
How to Make Your Dollars Last

North Carolina and South Carolina Area YMCAs

Feel Secure in Your Retirement

It's never too soon to start planning for your retirement and the financial challenges it ushers in. This guide will help you get your plan in shape and explain financial planning techniques used successfully by other retirees.

How to Take Money Out Of Your Pension Plan

One of the first financial decisions you will face at retirement involves your pension. The size of your income will depend, in part, on the system you select for withdrawing funds.

Choice 1: Defined benefit plan. While some plans offer you no choice at all, most provide several options. For example, a defined benefit plan (the traditional pension plan) provides a fixed, taxable, monthly income for the rest of your life. One caveat to choosing this fixed stream of income is that future inflation could erode your purchasing power.

If your employer offers you a lump-sum payout, consider what discount rate of interest the company uses to decide how much money you receive. To improve your income, you will have to invest the lump sum at a higher rate. Unless you're sure you can beat that discount rate, and especially if you're an inexperienced investor, you're better off with a monthly pension.

The lump sum is advantageous if:

- You are confident that you—or the investment advisor you select—can obtain a higher rate of return.
- You have other sources of substantial income or principal.
- Your health is poor and you think you will need to tap the fund for larger payments than you'd get from a pension.

When you take all the money out of your pension plan, you can defer the income taxes by directly transferring your pretax contributions to an individual retirement account. No withdrawals are required until you pass age 70½, but you can withdraw cash earlier. If you're under 59½, your withdrawals will be subject to income tax and to an IRS 10 percent penalty tax, unless you qualify for certain exceptions. As an alternative, you may be able to take advantage of a beneficial forward-averaging tax calculation if you take a lump sum.

Choice 2: Defined contribution plan. If you have a defined contribution plan, you generally are entitled to a lump sum, and its investment is entirely up to you. Such plans include profit sharing, 401(k) and stock bonus plans. You may be able to choose a lifetime annuity, which is a fixed monthly pension your employer buys from a commercial insurer. Or you might choose periodic payments that last a specified number of years. The payments are higher than those you would receive from a lifetime annuity, but they stop at the end of the period.

If the company plan allows it, you might leave some or all of your money in the plan for professional management and defer distributions until later.

Choice 3: Both plans. If you are lucky enough to have a defined benefit plan *and* a defined contribution plan, you might want to mix your options. For example, you could leave the money in your defined contribution plan to grow tax deferred for now, while you live as long as possible on your monthly defined benefit pension, Social Security and other savings.

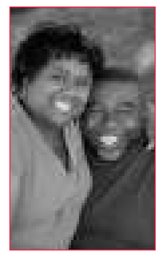
Whatever you do, it pays to have your professional advisor determine the tax and investment results to see which distribution option makes sense for you.

Increase Your Retirement Income And Reduce Taxes

One of the best techniques for creating more disposable income, reducing your tax burden and benefiting a cause you care about is to create a *charitable remainder trust.*

How it works. Under this arrangement, you donate appreciated securities or other appreciated property to a trust you create and receive a charitable deduction on your income taxes. The trust can sell the securities without having to pay tax on the capital gain, then reinvest the proceeds in higher-yielding holdings from which the trust pays you an income. After your lifetime, and perhaps that of your spouse or other beneficiary you select, the charitable organization you choose receives the assets in the trust.

This life income trust is also a good way to unlock frozen assets.



Example: *David, 64, is concerned that his pension payments and Social Security benefits won't yield enough income for him to enjoy a worry-free retirement. He owns several stocks valued at $100,000, but they currently yield only 2 percent of their market value, or $2,000. David decides to give these securities to a charitable remainder unitrust that will pay him $6,000 the first year, increasing his spendable income by $4,000.*

If David had instead sold his stocks, he would have paid an enormous tax on his capital gain. Their cost basis was $30,000, compared with their market value of $100,000, which would have resulted in a gain of $70,000. At his federal capital gains tax rate of 15 percent, the tax would have been $10,500, leaving only $89,500 to reinvest.

six 6 Strategies to Help You Get the Most From Your Retirement Investing

1. Diversify your investments. For greater safety, allocate your money among a prudent array of investments. Within each type, diversify even further.

2. Hold some stocks. Don't put all your money in fixed-income investments. Unless you keep some of your capital invested for growth, inflation may reduce the income-producing capacity of your portfolio.

3. Consider mutual funds. If your funds are limited, or you just don't understand the securities market, look for mutual funds that invest in high-quality bonds and stocks. Mutual funds offer professional management of diversified securities.

4. Don't focus on market timing. Successful professionals say predicting the short-term direction of the stock market is futile. Take a long-term view—don't expect quick returns, and don't panic when there's an occasional market downturn.

5. Beware of investing only for high current income. Many retirees seek only interest and dividend income, forgetting that growth is income, too.

6. Stay away from the complicated deals. The average retiree can't afford to take the big risks in speculations, such as commodities and options on futures. Moreover, retirement is a poor time to put your money into hard-to-sell investments, such as real estate deals or limited partnerships.