Foresight

Providing for the Future through Philanthropic Planning **SUMMER**2014

Let Me Tell You About Hadley...

Raymond Carlyle first realized that a person who is blind or visually impaired can live a full and independent life after hearing blind twins speak at his Logan Square (Chicago) Lions Club meeting. They left a lasting impression on him. After becoming president of his Lions club, Raymond learned more about Hadley, which has had a relationship with Lions clubs throughout Illinois since the late 1950s. Raymond has now been a loyal donor to Hadley for nearly 25 years.

Raymond grew up in Evanston, graduating from Northwestern University in economics in 1952. He then attended Harvard after a stint in the U.S. Army. His consummate love of travel began at age 17 when his mother gave him $1,000 to travel for three months. He used the money to take a cruise on the Queen Mary, traveled throughout Europe and returned with $100 still in his pocket.

Raymond continued to be mindful of budgets as he began his 24-year career in finance with the Chicago Planning and Development Commission, serving under five mayors. He arranged the funding

See About Hadley... *inside*

THE HADLEY SCHOOL FOR THE BLIND

THE HADLEY SCHOOL FOR THE BLIND
700 Elm Street, Winnetka, IL 60093 • www.hadley.edu

Change Service Requested

Members of the Clarence Boyd Jones Society attend an annual reception on June 25th in the Marylou Hayford Sensory Garden at Hadley.

State of Residency May Impact Your Taxes

With rising tax rates, many people are seriously considering moving from "high" tax rate states to low or no tax rate states. There are generally two types of taxes factoring into the decision. The first is the annual tax on income. Depending on the state, income taxes can range from 0% to more than 13%. The second is the estate tax which is generally based on the fair market value of an individual's assets owned at date of death. State estate tax rates can range from 0% to 16%. Each of these taxes is unique to the individual's state of residency and can be calculated in very different ways. Tax savings can be significant when comparing the following:

- Residents of Illinois are subject to an income tax at a flat rate of 5%. Income subject to tax includes interest, dividends and wages. Illinois does not tax most retirement distributions or interest on US Government obligations. Illinois imposes an estate tax of up to 16% on residents who have assets that exceed $4 million in value.
- Florida does not have an income or estate tax.

If an individual moves from a high tax state, steps must be taken to ensure that they can prove that they have abandoned their state of residency because some states are actively pursuing those who claim they are no longer residents. Although physical presence in a new state is good evidence of one's residency, states also consider other factors to determine an individual's "intent" of residency, especially if they continue to own a home or spend considerable time in the abandoned state.

Some basic actions to help to prove intent to abandon a state of residency include:

- In the new state—register to vote, obtain a drivers license, license vehicles, open bank accounts, modify wills, maintain permanent mailing address, file a declaration of domicile and join professional and social clubs and religious organizations.
- In the abandoned state—close bank accounts, do not claim a homestead exemption and resign from professional and social clubs and religious organizations.

Changing one's residence for tax purposes can be complicated and require formalities to legally defend the move. A professional adviser should be consulted to ensure an informed and proper decision is made and executed.

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Thinking About Donating Real Estate?

Donors often ask us if they can or should make a charitable gift of real estate to Hadley. With careful planning, a gift of real estate can offer substantial benefits to you and to the school. If you own real estate you no longer wish to hold, consider these results:

- **Tax Deduction:** By donating real estate, you will receive an immediate income tax charitable deduction for the full fair market value of the property donated to Hadley. The income tax deduction will offset up to 30% of your adjusted gross income for the year of the gift, and any unused deduction amount may be carried over for five years.

- **Capital Gains Avoidance:** In addition to the tax deduction up to the fair market value, if you give appreciated real estate to Hadley, the capital gains tax on the appreciation won't be taxed to you.

- **Improving Your Liquidity:** A large percentage of your net worth may be tied up in real estate. A gift of real estate should improve the overall liquidity of your assets, and it avoids the need to spend cash or transfer securities to fulfill your charitable goals.

- **Reduction of Carrying Costs:** Your real estate property may require constant care and upkeep, which you may no longer wish to carry out. Once you give the real estate to Hadley, those costs—including real estate taxes—are Hadley's responsibility until the property is sold.

- **Estate Tax Reduction:** If your estate may be subject to state or federal estate taxes, donated real estate property, together with any future appreciation, will be excluded from your taxable estate.

PLANNED GIVING STRATEGIES

Real estate can be used in combination with charitable giving strategies that offer even more benefits to you. These are strategies in which Hadley and you share the benefit of the real estate in certain ways.

- For example, you may wish to continue living in a home that you have donated to Hadley. To do this, you would designate Hadley as the owner of the home at your death or after a certain number of years you choose. You will receive an income tax deduction for the actuarial value of the remainder interest that will pass to Hadley in the future, even though you retain the current benefit and use of the home.

- You may also donate real estate to Hadley and receive in exchange a stream of income payments made to you every year. This is called a "charitable gift annuity," because Hadley pays benefits to you each year. To receive a personalized Summary of Benefits or to receive a brochure on "Giving to Hadley Beyond your Lifetime," please fill out the form (right).

- Other smart gifting strategies for gifts of real estate interests to Hadley include charitable remainder trusts, charitable lead trusts and conservation easements.

ISSUES TO CONSIDER

Donating real estate to Hadley requires some additional planning and attention to detail. For example, to obtain the tax deduction, you will be responsible for obtaining a qualified third party appraisal at your own expense. If you choose to donate mortgaged real estate, that donation will be treated as a "bargain sale." This means that a contribution of the property to Hadley is treated partly as a sale and partly as a gift, reducing the value of the charitable income tax deduction. Donating real estate for which you have previously claimed depreciation deductions on prior tax returns also raises important tax considerations that should be discussed with your tax adviser. If executed carefully as part of a comprehensive estate plan, gifts of real estate to Hadley offer many benefits to you and to Hadley. You should discuss various ways of donating real estate to Hadley with your tax adviser so that you may achieve your giving goals in a way that is consistent with your overall financial plan. Please contact Shari Burton, 847-784-2765, to discuss your charitable wishes and for a copy of Hadley's gift acceptance guidelines.

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If You Move From Illinois, Your Charitable Gifts Don't Have To

You may be considering or are in the process of changing your residence from Illinois to another state, but you don't have to sever your ties with your favorite charities in Illinois in the process. While that had always been the case, regulations were amended in 2013 to state that donations to 501(c)(3) charitable organizations located in Illinois by donors who are residents of other states are not evidence of residency in Illinois.

I'd like to help provide for the future of The Hadley School for the Blind

- ☐ I/We would like information on a Charitable Gift Annuity.
- ☐ I/We have included Hadley in our estate plans (and haven't previously notified you).
- ☐ Send your new brochure, "Giving Beyond Your Lifetime."

Name(s) ____________________

____

Address ____________________

City ____________________

State __________ Zip __________

Phone ____________________

Email ____________________

Please cut and mail this form to:

Shari Burton
Chief Philanthropy Officer
The Hadley School for the Blind
700 Elm Street
Winnetka, IL 60093

or contact Shari at 847-784-2765
or shari@hadley.edu.

To provide for Hadley's future:

1. A bequest may be made through a will or trust. (Legal designation: I give (x dollars or x percent or all of the residue of my estate) to The Hadley School for the Blind, an Illinois Nonprofit Corporation located at 700 Elm Street, Winnetka, IL 60093.)
2. Or you can list The Hadley School for the Blind as a beneficiary of an IRA, life insurance policy, annuity or other instrument that allows you to designate funds to a beneficiary.
3. Discuss additional options with your financial adviser or attorney.

About Hadley... (*continued*)

of many of the city's major infrastructure projects including the rebuilding of McCormick Place, the United Center and the development of Millennium Park (although he still remains quite unhappy with the cost overruns). He takes great pride in having helped get the National Veterans Art Museum in Chicago established through the acquisition of a former factory for one dollar.

He became more involved with Hadley in 2012, meeting with staff and attending the Annual Meeting where he was touched by "the determination and will of Jerrie Lawhorn," (a Hadley teacher who is deaf-blind and taught until age 96) and a student "who started a business with his family who said he would have 'ended his life, if not for Hadley.'" He also commented on how impressed he was with the accessible technology our students now use.

Raymond still travels on the Queen Mary and visits Europe frequently. He also reads five papers daily. In the U.S., he prefers traveling by train and bus, believing that through travel, you meet the most interesting people.

He talks about Hadley to people he meets and is surprised how many still don't know about the organization. When he redid his will 10 years ago, he made sure Hadley was part of his estate planning. Raymond believes that "everybody should be funding Hadley—it is more than just a worthy cause."