



# The Tax-Free Sale

**A STORY OF  
OBJECTIVES REALIZED**



## The future



For many who, 10 to 20 years ago, were making investments with a keen eye on future objectives, the future is suddenly here. Even in the wake of recent economic ups-and-downs, it is not at all unusual for investments made a number of years ago to have significantly increased in value.

At the same time, these investments frequently produce little or no actual income. So now it's time to sell the assets and enjoy the fruits of the wise investment!

There's only one problem. Few planned to watch the value of their assets shrink due to the capital gains tax triggered by a sale.

If you find yourself in this position, you're going to like the benefits of the Tax-Free Sale.



# Sell tax-free and increase income



Thanks to the growth in our economy over the past two to three decades, many individuals and families find themselves reaping the rewards of astute investment decisions made a number of years ago.

For example, Mr. and Mrs. Sample bought a piece of development land a little more than a decade ago. Growth in the area has caused the value of their land to increase from the original purchase price of \$50,000 to a fair market value of \$200,000. Now the Samples would like to sell the land and reinvest the proceeds in a way that will generate retirement income.

However, the shrinkage caused by the capital gains tax—a tax on the growth of the original investment—drastically reduces the attractiveness of selling the land.



## The Tax-Free Sale Plan

The *Tax-Free Sale* is tailor-made for friends who find themselves in this situation. It is a plan built around the use of a versatile financial planning tool known as the *Charitable Remainder Trust* (CRT). The CRT simply takes advantage of the long-standing parts of our tax law that encourage the support of qualified charitable organizations.

The CRT has three significant benefits:

- Bypass of capital gains tax
- A charitable income tax deduction
- A lifetime income stream

The illustration shows how the CRT makes it possible for the Samples to actually sell the property tax-free, get some much-needed cash for the first phase of their retirement, and benefit from an increased income stream for the rest of their lives.

First, Mr. and Mrs. Sample transfer a portion of the property into a CRT. As the name suggests, the CRT is *charitable in nature*. As a result, the Samples receive a charitable income tax deduction for the value transferred to the CRT. The couple retain ownership to the portion of the property not transferred to the CRT.





#### Contact information

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When the property is sold, the CRT bypasses up to 100% of the capital gains tax due on the portion of the land it owns. While the Samples do owe capital gains tax for the gain attributable to the portion they retained, this gain is offset by the charitable income tax deduction they received for the gift to the CRT.

As a result, Mr. and Mrs. Sample receive the full proceeds from the sale or their portion of the property.

What about that additional income for retirement? By agreement, the CRT will make annual payments equal to 6% of the value of the trust. In our example this is equal to \$6,534 the first year. Even more impressive, the estimated annual payments will total more than \$209,288 over the couple's life expectancy!

The *Tax-Free Sale* plan is just one strategy that takes advantage of tax laws developed to encourage and reward the spirit of philanthropy. If you would like to receive personalized information on how charitable planning can help you realize your goals, we invite you to call or write.

*This information is provided as an educational service. Personal advisors should always be consulted in the planning process.*

## More information



I have reviewed your brochure on the benefits of a *Tax-Free Sale* and

- I would like to speak with someone who can provide additional information.
- I would like to receive more information on other charitable tax planning options.

Name: \_\_\_\_\_

Street: \_\_\_\_\_

City: \_\_\_\_\_

State/Zip: \_\_\_\_\_

Home Phone: \_\_\_\_\_

Work Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

*(Please complete and return to the address on the back panel.  
All inquiries are treated in complete confidence.)*



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