

Planned Giving: creating a Legacy in the Coastal Mountains

Planned giving to Coastal Mountains Land Trust provides the opportunity for those who care for the future of our scenic landscapes, the wildlife that inhabit them, our water, forest, and agricultural resources, and opportunities for the public to enjoy and experience natural lands. By thoughtfully including the Land Trust in your estate planning, you can create a truly substantial legacy for all future generations, while also realizing significant tax benefits and financial advantages for you and your heirs.

This packet describes several planned giving options that can provide important support for the conservation program of the Land Trust. This information has been prepared in consultation with the firm that manages our endowment and other funds, the Trust Department at Union Trust Company. We would be very pleased to discuss these options and your particular interests with you and your financial advisors. Since decisions about planned giving are so meaningful to you and your family, we strongly encourage you to consult with your own financial advisors as part of the planning process.

It is especially important for you to have in-depth discussions with the professional staff of the Land Trust regarding planned giving that involves real estate, as described in some of the options. While many parcels offer the potential to provide substantial public benefits through conservation, others are more appropriate for fostering conservation by their conversion to funds that can be applied to the protection of other parts of our coastal mountains landscape. These matters should be clearly explored and agreed upon before proceeding with planned giving of real estate.

For further information and to arrange discussions, please contact Scott Dickerson, Executive Director of the Land Trust.

Bequests: Giving Through Your Will

You can set up your will to leave money or other assets such as stocks, bonds, or real estate to Coastal Mountains Land Trust. Your gift will be subtracted from the total value of your estate when it is settled. If you have already prepared a will and wish to add a gift to the Land Trust, it's simple to do so by making a simple amendment, or codicil, to your will.

The following is a sample provision for a bequest:

"I hereby give to Coastal Mountains Land Trust of 101 Mt. Battie Street, Camden ME 04843, _____ {add one or more of options listed below}

- the sum of \$ _____
- (# of shares or \$ value) of stock in _____ {name of company}
- real estate located at _____ {address of property}
- ____% of my estate
- the rest, residue and remainder of my estate.

to be used for the conservation program of the said Coastal Mountains Land Trust.

Summary for Bequests:

Document:	Will or Codicil
Revocable by Donor?	Yes
Beneficiary?	Coastal Mountains Land Trust
Costs:	Donor pays legal fees for will preparation

Charitable Remainder Trust

A Charitable Remainder Trust (CRT) can enable some donors to strongly support the conservation work of Coastal Mountains Land Trust while continuing to receive income from the value of their house, other real estate, or other substantial assets such as stocks and bonds. In the process of setting up the CRT, the donor chooses what assets to use to fund the CRT, who will get the income, how long the CRT will run, how the money will be invested, how it will be paid out, and which charity will get the remainder. Here is an example:

Mrs. Donor is 65. She bought her house many years ago for \$100,000, and it's now worth \$400,000. If she sold the house herself, Maine and federal tax on the sale will be about \$70,000. However, she has decided to give the house to a CRT that identifies Coastal Mountains Land Trust as the ultimate beneficiary. The CRT sells the land, so there is no tax on the sale, and it invests the full \$400,000 sale price. She has the CRT structured to pay income to her for the rest of her life, receiving monthly payments based on a percentage of the investment value of the CRT. Plus, she also receives a charitable deduction of \$110,000 for her gift of the house to the CRT, and has six years to use up the deduction! When Mrs. Donor dies, the remaining value in the CRT is transferred to the Land Trust and is not taxed as part of her estate.

Summary of Charitable Remainder Trust:

Document:	Trust (may be established in will)
Revocable:	No, but Donor can change charitable beneficiary
Income Beneficiary:	Individuals chosen by the Donor
Annual Benefit:	Set by Donor in CRT
Ultimate Beneficiary:	Coastal Mountains Land Trust (in example)
Minimum Amount:	Assets valued at \$100,000
Costs:	Donor pays to prepare Trust and transfer assets, generally from \$1,000 - \$5,000

Charitable Lead Trust

A Charitable Lead Trust (CLT) can enable some donors to provide steady income for the conservation work of Coastal Mountains Land Trust while they retain the value of their assets. In the process of setting up the CLT, the donor chooses what assets to use to fund the CLT (e.g., stocks, cash, or other income-producing assets), which charity will get the income, how long the CLT will run, how the assets will be invested, and which individuals will receive the remainder when the CLT ends. Donors will receive a charitable deduction for federal income tax purposes either on the annual donation made to the charity or on the principal donated at the time the CLT is created, depending on how they choose to treat the trust's income for taxation purposes.

Here is an example:

Mrs. Donor contributed \$100,000 in stock to a CLT that makes an annual contribution to Coastal Mountains Land Trust of 6% of the principal in the CLT for a period of 20 years, a total gift of \$120,000. After 20 years, the CLT terminates and the assets will be distributed to her children. She decided that her circumstances would be best served by not taking an income tax deduction on the original contribution of \$100,000, and instead will take a deduction on each year's contribution to the Land Trust. Her tax deduction is projected to be worth \$85,000 over the 20 year term of the CLT, plus the gains in the CLT are tax-free. Further, the gift taxes due on the \$100,000 contributed to the CLT, which is ultimately a gift to her children, are considerably reduced because the gift does not occur until 20 years later.

Summary of Charitable Lead Trust:

Document:	Trust (may be established in Will)
Revocable:	No
Income Beneficiary:	Coastal Mountains Land Trust (in example)
Annual Benefit:	Set by Donor in CLT--fixed or variable
Ultimate Beneficiary:	Individuals chosen by the Donor
Minimum Amount:	Assets valued at \$100,000
Costs:	Donor pays to prepare Trust and transfer assets, generally from \$1,000 - \$5,000

Life Estate and Remainder Interest

A donor can also support the conservation work of Coastal Mountains Land Trust while continuing to use their real estate. The donor deeds the property to the Land Trust (the remainder interest) while retaining the right to continue occupying the house and land (the life estate). The donor can take a charitable income tax deduction for the present value of the remainder interest, adjusted by actuarial tables. The donor avoids potential capital gains tax on the property's appreciation and it is removed from their estates for estate tax purposes. The land trust can choose to sell the remainder interest immediately or after the life estate ends. Here is an example:

Mr. and Mrs. Donor, who are in their early 70's, donate their house, appraised at \$500,000, to Coastal Mountains Land Trust and retain a life estate. They inherited the property and it has a basis of \$50,000. Based on actuarial data and interest rate projections from the IRS, the value of their charitable gift is \$220,000. Subject to applicable limitation and a five-year carry forward, this is the amount of their income tax deduction.

Donors can also set a term of years for the retained estate if they are able to anticipate how long they want to use the property. Depending on the number of years chosen for the term of estate, the donation value may be more or less than that calculated with a life estate.

Summary of Life Estate and Remainder Interest:

Document:	Deed
Revocable:	No
Annual Benefit:	Donor, by use of property
Ultimate Beneficiary:	Coastal Mountains Land Trust (in example)
Minimum Amount:	Assets valued at \$100,000
Costs:	Donor pays to prepare Deed, for asset transfer, and appraisal, generally from \$1,000 - \$6,000

Gift of Life Insurance

A donor can also support the conservation work of Coastal Mountains Land Trust by naming the Land Trust as a beneficiary of a life insurance policy covering the donor. The following is suggested language to name the Land Trust in the beneficiary designation section of the insurance policy:

“\$_____ of the benefits payable

(or)

_____ % of the benefits payable

hereunder to Coastal Mountains Land Trust of 101 Mt. Battie Street, Camden ME 04843, a qualified 501(c)(3) organization.”

Gift of Retirement Accounts

Qualified Retirement Plans, such as a 401(k), 403(b), IRA, or SEP, are taxed heavily if there are remaining assets in the account when the individual who created it dies. However, these remaining assets can be given tax-free to Coastal Mountains Land Trust through the individual's estate plan. By naming the Land Trust as a beneficiary of the assets, the donor reduces the value of his estate by the amount left to the Land Trust and avoids any tax on the gains remaining within the retirement account. At the top rates, the tax on these assets can be as much as 85% of the asset value before distribution to a non-charitable beneficiary, so this makes them very attractive assets for charitable gifts.

To donate these assets, the donor simply designates "**Coastal Mountains Land Trust of 101 Mt. Battie Street, Camden ME 04843, a qualified 501(c)(3) organization**", as the beneficiary in the appropriate section of the Plan documents. The donor needs to contact their plan administrator for specific instructions.

Donating a Conservation Easement

Real estate is often one of the highest value assets held by individuals. Donation of a conservation easement can provide significant tax benefits while protecting important natural and scenic resources, and allows the land owner to retain title to the property and use it, usually in the same way they do before the easement. The easement, a type of deed with specific conservation covenants, can be donated to Coastal Mountains Land Trust, which will monitor the property to assure that the conservation protections the land owner has designed with us will be maintained in the future.

A conservation easement can be custom-fitted to the interests of the land owner and the mission of the Land Trust. For instance, some of our easements allow forest management, provided that the forestry practices do not degrade the environmental quality of the land or result in unsustainable rates of cutting. Similarly, agricultural land can be protected by an easement that allows sound farming practices while restricting the farm from being developed for residential or commercial use. We also have many easements that maintain the property as "forever wild", the maximum level of protection. Such protection is most important for critical wildlife habitats, mature forests, and land close to brooks or ponds. Most of the conservation easements held by the Land Trust do not provide the public with access to the easement property, since most land owners prefer to continue to manage the extent to which the public is allowed to use their property.

Donation of a conservation easement can result in significant tax benefits for the land owner. The amount of these benefits is based on an independent appraisal of the difference in the value of the property before and after the placement of the easement. The appraised value of the easement can be used as a charitable gift for purposes of an *income tax deduction*. The easement may also result in a *diminishment of estate taxes* due to the reduction in appraised value of the property, and may enable an heir or heirs to keep the property intact if it is left to them. And finally, if the land owner places the land covered by the easement one of Maine's special property tax classifications, *property taxes can often be reduced*.

Donations of Land and Bargain Sales

Our Preserves are properties for which the Land Trust owns full title. Many of them were donated to us by generous land owners who wished to leave a legacy for future generations by permanently conserving their property and providing the community with a full opportunity to appreciate its natural and scenic values. When a land owner offers to donate land to the Land Trust, we evaluate it very thoroughly to determine that it has substantial conservation value and public benefits that will merit the effort and expense of our permanent stewardship obligations.

A donation of land is usually the simplest method to conserve its resources, and it provides the maximum *income tax* and *estate tax benefits* to the donor, which are established by an independent appraisal of the real estate parcel. If the property has appreciated in value, the donation will *avoid capital gains taxes* if the property was otherwise to be sold. Of course, *property tax costs* are completely eliminated. Gifts of land can be given during the donor's lifetime, or can be provided through the donor's will or trust document.

Some donors are not in a position to donate the entire value of their property, but want to make a partial value donation. This can occur by a "bargain sale," through which a donor sells a property for less than its appraised fair market value to Coastal Mountains Land Trust. The donor will qualify for an income tax deduction for the difference in the fair market value and the sale price, avoid some of the capital gain due to any appreciated value of the property, and eliminate any potential estate taxation on the property. Here is an example:

Mr. and Mrs. Donor sell a property appraised at \$500,000 to Coastal Mountains Land Trust for \$350,000. Since they bought the property for \$100,000, if they sold at the appraised value they would have incurred a capital gains tax on \$400,000. Instead, they pay tax only on \$250,000, the gain from the "bargain sale" at \$350,000. In addition, they qualified for a charitable deduction of \$150,000 on their income taxes, subject to any applicable adjustments for depreciation.