USTA/MIDWEST TENNIS & EDUCATION FOUNDATION

Planned Giving

The Gift of Tennis

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These materials are educational in nature and shall not be relied on as legal or tax advice. This information is provided to give you a general overview of various gifting options, and is not intended to be a comprehensive guide on this subject. The rules pertaining to charitable contributions and the related tax implications are very complex, change regularly, and vary from donor to donor. The Foundation makes no warranties or representations, either express or implied, with respect to the accuracy or completeness of the contents of these materials.

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I. What will your Legacy be?

Planned gifts provide creative and flexible strategies for your estate and charitable planning. Some planned gifts can provide you with income and many planned gifts can reduce your taxes. The greatest benefit, however, lies in knowing that you are supporting the work of the USTA/Midwest Tennis & Education Foundation—work that is important to you and helpful to others.

Whatever inspires you, whatever drives you – you can make a difference by supporting the Foundation with a bequest directed at our local youth tennis players and programs. By including the Foundation in your estate plans, you will help promote the wonderful sport of tennis through the education of our youth and support of our youth tennis programs, benefiting our way of life here in the Midwest and beyond.

Foundation staff members are eager to work with you and your advisors to ensure each gift will support your preferred educational purpose. Please feel free to contact Elizabeth Dickison at 317-669-0475 or elizabeth@midwest.usta.com
We look forward to hearing from you!

II. Types of Gifts

Cash. Gifts of cash are sometimes the easiest to make. If you wish to make a one-time cash gift, you can mail a check to: USTA/Midwest Tennis & Education Foundation, 1310 East 96th Street, Suite 100, Indianapolis, IN 46240. Please make your check payable to the USTA/Midwest Tennis & Education Foundation and indicate which program you wish to support. You can also make a gift online by visiting www.midwest.usta.com.

Outright gifts. The most common form of charitable contribution is the outright gift of cash or other assets made during the donor's lifetime. An outright gift may be of real estate, tangible personal property (e.g., artwork, books, manuscripts, coin and stamp collections, boats, airplanes, etc.), closely held stock, a paid up life insurance policy and other property of value. One benefit of donating appreciated assets (such as real estate or securities) outright is that your income tax deduction will be based on the fair market value of the gift when you donate it and you will not incur any capital gains on the asset's appreciation. Plus, you have removed the asset from your taxable estate for estate tax purposes. Please note, however, that there is a "related-use" rule for appreciated tangible personal property. This means that the donor is only allowed a fair market value deduction for the contribution of appreciated tangible personal property where the use of the donated property is related to the tax-exempt purposes of the charity. For example, a donor who contributes appreciated artwork to the Foundation would likely not be able to apply the fair market valuation to the gift.

Life insurance. You can make a gift of a life insurance policy by either assigning a paid up policy to the Foundation or by naming the Foundation as the beneficiary of a policy. By funding a gift with your life insurance policy, you can make a gift that may be substantially larger than you could during your lifetime.

Retirement plan assets. By naming the Foundation as the direct beneficiary of appreciated tax-deferred retirement accounts, the value of your gift will be the full amount of the accounts and will not be diminished by the income tax on the deferred gains. This could lead to substantial savings in income and estate taxes.

Bargain Sale. A bargain sale occurs when you sell an asset, such as real estate, to the Foundation for less than its current fair market value. The difference between the fair market value and the sale price constitutes a charitable gift.

Creation of a Trust. Trusts can be structured in a variety of ways and typically include a charitable lead trust or a charitable remainder trust. A charitable lead trust makes payments to the Foundation during the trust's term to support one of the Foundation's charitable purposes and when the trust ends, the remaining assets are paid to you or other non-charitable beneficiaries. A charitable remainder trust makes payment to you or a non-charitable beneficiary during the trust's term and when the trust ends, the remaining assets are paid to the Foundation. Depending on the type of trust and the trust's terms, a donor can enjoy income tax and/or estate tax benefits.

Retained Life Estates. This type of gift occurs when you contribute your residence, vacation home, farm or other property now, while retaining the right to use and occupy the property for life. At the time of your death the Foundation will own the property in its entirety.

Bequests. A bequest is a gift to the Foundation that is included in your will or trust.

III. Discussion of Types of Gifts

a. Gift of Life Insurance

You can make a deferred gift to the USTA/Midwest Tennis & Education Foundation using life insurance. Such a gift may allow you to make a larger contribution than you thought possible. Benefits may include a current income tax deduction for the gift of the policy, continuing income tax deductions for periodic premium payments, removal of the insurance from your taxable estate, and the satisfaction that comes from making the gift of tennis a reality for kids who otherwise would not have a chance to learn the sport.

A life insurance gift may allow you to support the USTA/Midwest Tennis & Education Foundation more generously than you thought possible while providing you with income and estate tax benefits.

i. Frequently Asked Questions

Why would you want to donate life insurance? An existing policy is the best candidate for a gift to the USTA/Midwest Tennis & Education Foundation. You may own a life insurance policy that was purchased for financial security when you were younger. The safety net provided by life insurance may not be as important to you now so the policy may be a suitable asset to contribute to the Foundation.

What kinds of policies can be contributed? There are two basic forms of life insurance, with many variations:

1) Term insurance provides coverage only for the specific period covered by the premium but does not provide any internal cash buildup or any benefits other than payment of the face amount of the policy upon the death of the insured. Because of these characteristics, term insurance is rarely used for charitable giving.
2) Whole life insurance provides continuous coverage as long as any required premium payments are made or the policy is paid up. It also has an investment component that provides an internal build-up of cash value, in addition to the death benefit.

Are there income tax benefits? If you designate the USTA/Midwest Tennis & Education Foundation as the owner of the policy, you may be entitled to a current income tax deduction for the gift of the policy. Any annual gifts to the Foundation to pay future premiums will qualify for a charitable income tax deduction.

Are there estate tax benefits? If you give a policy to the USTA/Midwest Tennis & Education Foundation, the insurance proceeds are excluded from your taxable estate unless you die within three years of making the gift. If you keep the policy and simply name the Foundation as beneficiary, the policy proceeds will be included in your taxable estate but will qualify for an estate tax charitable deduction.

Can proceeds from a policy fund an endowment? Proceeds from a life insurance policy can fund an endowment to benefit the Foundation. However, you may want to compare a life insurance donation to a series of annual gifts to fund an endowment, because doing this during your lifetime rather than at your death will allow you to see your gift at work.

Are there any special considerations to keep in mind? If you live in a community property state, your spouse may be required to consent to naming someone other than the spouse as beneficiary and/or owner of a policy.

b. Gift of Retirement Assets

Thoughtful planning can help you achieve your charitable goals and provide for a secure retirement. Coordinating retirement planning and charitable giving can be especially beneficial if you have accumulated substantial retirement assets and wish to reduce income and estate taxes. Retirement plan assets include IRAs, 401(k) and 403(b) plans, Keogh plans, and other qualified retirement plans. Current tax laws may result in heavy taxation of assets you withdraw from retirement plans, and estate taxes may consume a substantial portion of your retirement plans after your death. A gift of these assets to the USTA/Midwest Tennis & Education Foundation allows you to accomplish a variety of personal goals while reducing or eliminating these taxes. Retirement assets present a number of attractive opportunities. Through careful planning, you can make gifts to your heirs while minimizing taxes with gifts to the Foundation.

i. Lifetime Gifts

Retirement plan assets can be used to make lifetime charitable gifts. If you have adequate income from sources other than your retirement plans or excess income from your other retirement assets, a charitable gift may be ideal.

Generally, funds in qualified retirement plans grow tax-free over time, and income tax is assessed only when you withdraw from the plan. Beginning the year after you turn 70½, you are required to withdraw a minimum amount every year. If you want to make a current gift, you can use your required minimum distribution or withdraw additional funds from the plan, pay income taxes on the amount withdrawn, and use the funds to make a gift to the Foundation. This outright gift will qualify for an income tax charitable deduction, offsetting some, if not all, of the income tax due.

In addition, you will have removed the withdrawn portion of funds from your estate, thereby avoiding eventual payment of estate taxes, if applicable, on that portion while benefiting the Foundation. The most meaningful benefit of a current lifetime gift is watching it at work. Donors find great satisfaction in seeing how their gifts help players and programs throughout the USTA/Midwest Section.

ii. Gifts at Death

If you, like many donors, rely on income from your retirement plans during retirement, making a lifetime gift may not be an option. However, a gift of all or a portion of what remains in the plan at your death can fulfill your charitable wishes. This gift can also significantly reduce estate taxes, if applicable, thereby helping to preserve other assets for your heirs.

iii. Estate and Income Tax

Your retirement plan assets will be included in your taxable estate at death. If any person other than your spouse receives the asset, estate taxes must be paid at the applicable tax rates. Although current tax law exempts a significant amount from federal estate tax, retirement plans often push the estate value beyond the exempt amount. Additionally, your heirs may owe income tax on distributions from your retirement plan. A large portion of the retirement plan may be dissipated by the combined burden of estate and income taxes. If the Foundation is named as the beneficiary of your retirement plan, no income tax is paid because the Foundation is a tax-exempt entity. Thus, much more of the gift would be available to the Foundation than would be to your non-exempt heirs. Although the plan balance is still subject to estate tax, it is offset by the charitable deduction your estate will receive for the gift. If you have both retirement plans and other assets such as stocks, cash or real property, you should consider making charitable bequests from your retirement plan,and leave other assets to your heirs. Retirement plan assets pass according to the beneficiary designation rather than your will or revocable trust. It is important to check with your plan administrator to make sure you are filling out the correct form to name the Foundation as a beneficiary and that your plan permits naming a charity as a beneficiary. If you are married, your spouse must agree to your naming a beneficiary other than himself or herself.

c. Charitable Trust or Will

A charitable trust allows you to make a donation to the USTA/Midwest Tennis & Education Foundation, while giving you and your heirs a tax break. You can make a bequest of any size and direct the gift to support the purpose or programs of the Foundation that are most important to you. If you wish to support the Foundation as a whole, an unrestricted gift is the way to go. For some, this will be their first gift to the Foundation, but for others this can be a continuation of planned giving.

Bequests are a vital source of support for the Foundation,and can represent a significant percentage of all gifts received from individuals annually. In addition to supporting bright and talented young tennis players, bequests have also supported outstanding state-of-the-art facilities and equipment. The Foundation particularly values unrestricted gifts, which can be used to support priority needs.

Everyday at the Foundation, bequests can help transform the lives of our youth living in the USTA/Midwest Section. Your bequest can help continue this vital work and leave a lasting legacy in your name.

If you want to make a difference with a gift in your will or trust, we invite you to contact the USTA/Midwest Tennis & Education Foundation office for a confidential consultation. Please contact Elizabeth Dickison at 317-669-0475 or Elizabeth@midwest.usta.com.

Charitable Gift Annuity

A charitable gift annuity is created by a contract between you and the USTA/Midwest Tennis & Education Foundation. In this circumstance, you make a gift to the Foundation and the Foundation promises to pay you a fixed annual income for your lifetime. A gift annuity may be especially appealing if you want to supplement your retirement income and make a gift to the Foundation. It is also an ideal way to fund a Foundation endowment that can bear your name in perpetuity.

Due to the simple contractual nature of this gift, a charitable gift annuity is one of the easiest life income gift plans to create. It is a popular option with donors who seek lifetime fixed income payments (especially during retirement years), and who wish to maximize their tax-free income. Each gift annuity is the product of successful teamwork among donors, their advisors, and the Foundation staff. Everyone benefits from this collaboration—the donor who receives tax benefits, the individual who receives a guaranteed income for life, and the Foundation receiving a future gift to benefit youth tennis and education programs.

Gift annuities may be funded with cash, certificates of deposit, publicly traded securities, and similar assets. You will be entitled to an income tax charitable deduction for part of the value of the assets you transfer to the Foundation.

The ultimate benefit, however, is the satisfaction of knowing your gift will provide vital future support for introducing the sport of tennis throughout the USTA/Midwest Section.

Before entering into a charitable gift annuity, we recommend that you seek the advice of a competent tax professional.

iv. Frequently Asked Questions

How is the annuity payment determined? The Foundation generally offers the annuity rate recommended by the American Council on Gift Annuities based on the age of the annuitant(s). The annuity rate increases with age, and the rate for one annuitant is generally higher than the rate for two. However, in some cases the annuity rate is negotiated based upon the size of the gift, whether there are one or two annuitants, their ages at the time of the gift, and the purpose of the gift.

Is any portion of the annuity tax-free? Generally, a certain portion of each annuity payment is tax-free because it represents a return of principal. Gift annuities funded with cash will produce more tax-free income over the life of the annuity than gift annuities funded with appreciated property. If you fund a gift annuity with appreciated property, the annuity payments will consist of ordinary income, capital gain income, and tax-free return of principal. The Foundation will provide income tax information to each annuitant every year for their tax returns.

Can a gift annuity make payments to more than one person? Yes. A gift annuity may be established for one or two persons and you can designate any individual as the annuitant. If you designate someone other than yourself or your spouse as the annuitant, you should consult with your advisors about the possible capital gain and gift tax consequences of the arrangement.

Do gift annuity payments ever fluctuate? No. The payment amount is fixed at the time the gift annuity is created.

Can a gift annuity be used for retirement planning? Yes. An immediate gift annuity is an excellent way to enhance your retirement income. You can also establish a deferred gift annuity now that will begin paying you an annuity when you retire. Deferred gift annuities produce larger payments than immediate gift annuities because you are older when payments begin.

Can I fund more than one gift annuity? Yes. Some donors create a new gift annuity every few years. This enables them to receive more income as they age and provide additional support to the Foundation.

What is the difference between a Charitable Gift Annuity and the Charitable Trusts discussed below? Charitable gift annuities are similar to charitable trusts, but simpler. The charitable gift annuity is a simple contractual agreement between you and the Foundation, unlike a charitable remainder trust which is a legal trust requiring all trust formalities.

v. Tax Considerations

Income tax charitable deduction: When you create a gift annuity, you qualify for an immediate income tax charitable deduction equal to a percentage of the total value of the assets you contribute. The deduction is based on IRS formulas and tables. You can use the deduction to offset your income in the year you create the gift annuity. If you cannot use the entire deduction in the first year, you can carry the excess deduction forward for up to five additional years.

Capital gains tax treatment: If you fund a gift annuity with appreciated property you can recognize the capital gain “ratably” over your lifetime, thereby spreading out the capital gains tax liability. If you contribute appreciated property to fund a single-life gift annuity for another individual, however, you will recognize the entire capital gain at the time you create the gift annuity.

Gift tax treatment: If the income beneficiary is someone other than, or in addition to, you, there may be gift tax implications. You should discuss these consequences fully with your tax advisors.

e. Charitable Remainder Annuity Trust

A charitable remainder annuity trust pays you a fixed annual income while providing for a future gift to the USTA/Midwest Tennis & Education Foundation. You create an annuity trust by executing a written trust agreement and making a gift to the trust. The trustee of the annuity trust then pays you a fixed dollar amount every year for your lifetime or for a term of up to 20 years.

You are entitled to an income tax charitable deduction for part of the value of the assets you contribute to the annuity trust, and if you contribute appreciated securities, you will save on capital gains tax as well. When the annuity trust ends, the remaining trust assets are distributed to the Foundation for the purpose you specify in the trust agreement. You may wish to fund an endowment in your name to support scholarships or provide unrestricted support for a program – the possibilities are nearly endless. If you want regular, fixed income payments, an annuity trust may appeal to you. The ultimate benefit, however, is the satisfaction of knowing that an annuity trust gift will provide important future support for the USTA/Midwest Tennis & Education Foundation.

i. Frequently Asked Questions

What assets can I contribute? An annuity trust must be funded with assets that can be sold readily or that produce sufficient income to enable the trustee to pay the annuity amount when it is due. In general, this means cash or marketable securities. Highly appreciated securities are particularly appropriate for funding an annuity trust because of the capital gains tax benefits discussed below. Assets that may take a while to sell, such as real estate or closely held stock, are usually not appropriate for annuity trusts. They may, however, be suitable for a charitable remainder unitrust.

How is the annuity amount determined? Under current tax law, the annuity amount must equal at least 5% and no more than 50% of the value of the assets you contribute to the trust. The Foundation staff will work with you to determine an appropriate annuity amount, taking into consideration the age of the income beneficiary or beneficiaries, the fair market value of the trust assets, and other factors that affect the balance between your financial goals and the program you wish to fund.

Who can receive income from the trust? You, your spouse (or both of you), other family members, or others can be beneficiaries of the annuity trust. If you want to name more than one income beneficiary, they can share the annuity or they can succeed one another as income beneficiaries. Unless the trust is for a term of years, you need to consider the age or ages of the beneficiaries. If the beneficiaries are too young, the assets remaining in the trust at the end of its term may not be enough to accomplish your purpose.

Will I pay taxes on my trust income? Beneficiaries are taxed on payments received from an annuity trust based on a four-tier taxation system set forth in the Internal Revenue Code. Payments are usually a mix of ordinary income and capital gain. The Foundation, as trustee, will provide an annual statement of income tax information for each beneficiary's tax return.

Who can serve as trustee? The trustee may be a bank, an individual, or the Foundation.

ii. Tax Considerations

Income tax charitable deduction: You are entitled to a current income tax charitable deduction for the present value of the annuity trust remainder that the Foundation will receive in the future. You can claim the deduction in the year you create the annuity trust and use it to offset either 30% or 50% of your adjusted gross income, depending on what you contribute to the trust. If these percentage limitations prevent you from using the entire deduction in the first year, you may carry forward the unused deduction for up to five additional years.

Capital gains tax savings: A charitable remainder annuity trust is tax exempt. Therefore, the trustee can sell appreciated assets without incurring any up-front capital gains tax, so the entire net proceeds of a sale are available for investment for your benefit.

f. Charitable Remainder Unitrust

A Charitable remainder unitrust pays you a variable income while providing for a future gift to the USTA/Midwest Tennis & Education Foundation. You can establish a charitable remainder unitrust by irrevocably transferring assets to a trustee, who then invests the trust's assets and pays you and/or other beneficiaries an annual variable income. At the end of the trust term, the assets remaining in the trust are distributed to the Foundation for the purpose you designate.

A unitrust is an excellent vehicle for gifts of appreciated stock or property, because the trust is tax exempt and does not pay capital gains tax when it sells the assets. The full sales proceeds remain in the trust to provide a payout to the income beneficiaries. The amount of the payout for the income beneficiaries will depend on whether the charitable remainder unitrust is set up as a standard unitrust, net income unitrust, or flip unitrust (see below). The payout distributed is generally taxable to the income beneficiaries. Upon establishing a charitable remainder unitrust, you are entitled to a current income tax deduction for a portion of the value of the gift transferred to the trust.

There are three types of unitrusts: a standard unitrust, a net income unitrust, and a combination or "flip" unitrust. The income from each trust will vary from year to year, and the right choice will depend on your goals. You can name yourself and/or other beneficiaries to receive income for life and/or for a term of up to 20 years.

Standard unitrusts are the most common type of unitrust. They provide an income that is based on a fixed percentage ("the unitrust percentage") determined at the time the trust is created. The unitrust percentage must be at least 5 percent and is multiplied by the fair market value of the trust assets at the beginning of each year to determine the annual payout to the income beneficiaries. Accordingly, if the trust investments grow beyond the amount paid to the income beneficiaries, the annual distributions will increase. However, it is important to know that if the trust investments do not produce sufficient investment returns in any given year, the annual distribution for the following year will decline. A standard unitrust provides the most flexible investment options and is usually invested for a total maximum return.

Net income unitrusts provide annual payments in the lesser of two amounts: 1) the unitrust percentage of the trust's annual value described above, or 2) the net income of the trust. Younger donors who are not seeking large payments immediately but want to build a fund for potentially higher payments in the future may find this appealing. A net income unitrust initially can be invested in assets that produce little interest or dividend income. When income beneficiaries want a higher income, the investments can be changed to produce a higher income.

A combination or "flip" unitrust is a good option when an illiquid, non-income producing asset, such as real estate or closely held stock, is being used to fund a charitable remainder unitrust. The trust agreement for the flip trust provides that the trust begins as a net income unitrust, paying only any actual earnings (for example, rents from real estate) to the income beneficiaries. The trust agreement further provides that at a date in the future, such as on the date of the sale of assets used to fund the trust, the trust "flips" to a standard unitrust. As of January 1 after the flip date, the unitrust pays the income beneficiaries the unitrust percentage multiplied by the fair market value of the trust assets, revalued each year. A flip unitrust may also be a good option if you wish to plan for retirement because the flip date could be set for a date when you expect to retire.

For many, a unitrust is an ideal way to fund future Foundation endowments— for scholarships, programs or other purposes— that bears their names and support the Foundation in perpetuity.

Unitrusts also appeal to those who want relief from the ongoing responsibility of managing some of their assets, while continuing to receive lifetime income. The ultimate benefit, however, is the satisfaction of knowing that a unitrust gift will provide important future support for the USTA/Midwest Tennis & Education Foundation.

i. Frequently Asked Questions

What assets can I contribute? You can contribute cash, marketable securities, or other property to fund a unitrust. Contributions of marketable stocks and bonds that have increased in value are ideal because you may benefit from capital gains tax savings. Assets that may take longer to sell, such as real estate or closely held stock, can also be used to establish a unitrust, but the trust must initially limit payments to "net income." After the property is sold and the proceeds are reinvested, the trust can "flip" to a regular unitrust that pays a fixed percentage of its value each year.

How is the unitrust's payout rate determined? The payout rate is negotiated between you and the Foundation, taking into consideration the age of the income beneficiary(ies), the fair market value of the gift, and what you want to support at the Foundation. By law the rate cannot be less than five percent. A low payout rate results in a larger income tax deduction, a larger future gift to the Foundation, and a greater chance that the trust will grow in value. If the trust grows, so will your income.

Who can receive income from the trust? You, your spouse (or both of you), your parents, children, or others can be beneficiaries of the trust. In deciding on the income beneficiaries, you should be careful to limit the anticipated term of the trust to ensure that adequate funding remains to accomplish your ultimate purpose.

Will I pay taxes on my trust income? Beneficiaries are taxed on payments received from a unitrust based on a four-tier taxation system set forth in the Internal Revenue Code. Payments are usually a mix of ordinary income and capital gain. The Foundation, as trustee, will provide an annual statement of income tax information for each beneficiary's tax return.

Who can serve as trustee? A bank, an individual, or the Foundation may serve as trustee.

ii. Tax Considerations

Income tax charitable deduction: You are entitled to a current income tax charitable deduction for the present value of the unitrust remainder that the Foundation will receive in the future. You can claim the deduction in the year you create the unitrust and use it to offset either 30% or 50% of your adjusted gross income. If these percentage limitations prevent you from using the entire deduction in the first year, you may carry forward the unused deduction for up to five additional years.

Capital gains tax treatment: A charitable remainder unitrust is tax exempt. Therefore, the trustee can sell appreciated assets without incurring an up-front capital gains tax, so the entire net proceeds of a sale are available for investment for your benefit.

g. Charitable Retained Life Estate

If you would like to make a gift to the USTA/Midwest Tennis & Education Foundation, then you may be pleased to know that you can contribute a personal residence (including a vacation home) or a farm while continuing to live there.

This is possible by retaining a life estate in the property when you donate it to the Foundation. During your lifetime you will live in your home, use your vacation home or operate your farm just as you always have. You will be treated as the owner of the property and remain responsible for maintenance, repairs, real estate taxes, insurance and other expenses associated with the property.

Upon your death the Foundation will own the property in its entirety. You will qualify for

an income tax deduction when you deliver the deed to the Foundation.
You and the Foundation will also sign an agreement outlining your responsibilities regarding the property during your lifetime and describing what your gift will eventually support at the Foundation.

i. Frequently Asked Questions

Can I give a remainder interest in other kinds of real estate? You may own vacant land, commercial real estate, or timberland that you would like to use for a retained life estate gift. Unfortunately, the tax code only permits a charitable deduction for a remainder interest in a personal residence (including a vacation home) or a farm. However, a charitable deduction is allowed for gifts of other types of real estate if made outright or to a charitable remainder unitrust.

What if I want to move? If you no longer want to live in your home or operate your farm, you and the Foundation have several options. The property could be leased to a third party and you would be entitled to receive the rental payments. You and the Foundation could sell the property and divide the proceeds in proportion to our respective fractional interests at the time of the sale. Finally, you could donate your remaining life estate interest to the Foundation and qualify for another income tax charitable deduction.

Can I give someone else a life estate or limit the interest to a term of years? Yes, you may give a life estate to someone else. You may also limit your or the other person's life estate in a residence or farm to a term of years and give the remainder interest to the Foundation.

Why would I want to make a retained life estate gift rather than leaving the Foundation my residence or farm in my will? Your estate would be entitled to the same estate tax charitable deduction for the value of your property upon your death regardless of whether you give the property to the Foundation now with a retained life estate or donate it through your will. However, by making a gift with a retained life estate now you will be able to claim an income tax charitable deduction that can reduce your current income taxes.

ii. Tax Considerations

Income tax charitable deduction: You will be entitled to a current income tax charitable deduction for the value of the remainder interest in your residence or farm. You will need to obtain a qualified appraisal from an independent appraiser to determine the full value of your property. However, the value of the Foundation's remainder interest will be less than the total value of your property and is determined according to IRS rules and tables. You can claim the deduction in the year you make the gift. If you cannot use all of it in that year, you can carry the excess deduction forward for up to five succeeding years.

Gift tax treatment: If you give a life estate to someone else in lieu of or in addition to retaining a life estate for yourself, you will be making a non-charitable gift to that person of the value of his or her right to live in or use the property. You may have to pay gift tax on the non-charitable gift so consult your tax advisor if you are considering this.

Estate tax charitable deduction: If you retain a life estate, the value of your residence or farm will be included in your taxable estate when you die, but your estate will be entitled to an offsetting estate tax charitable deduction for the entire value. If you give another person a life estate in the property that begins after your death, or if you make a gift of a life estate in a residence or farm to another person under your will, the value of that life estate may be subject to estate tax. However, your estate will be entitled to an estate tax charitable deduction for the value of the remainder interest given to the Foundation.

h. Endowment Funds

An endowment is a permanent fund created for long-term capital growth. Contributions are irrevocable and become the assets of the Foundation. The principal balance can never be spent, so the endowment earning power is protected against inflation. Excess income or appreciation is added to the principal to protect its value over time. The distributable balance consists of a net income/appreciation of the principal (typically 4.5-5%). This is the portion of the fund from which grants may be paid. Professional investment management is of all endowment funds is offered through services with our own USTA/Midwest Investment Committee policy and procedures. Once endowment is established, application process will be established based on founder's request and IRS nonprofit guidelines.

i. Frequently Asked Questions

Is there a minimum to establish an endowment?

Yes, there is a minimum dollar amount for initial funding of an endowment at the USTA/Midwest Tennis & Education Foundation, it is $20,000. This is in order to obtain a reasonable rate of return on the principle to maintain a 4-5% net income. In order to pay grants with the net 4-5% there must be a reasonable amount of investable endowment money to create earning power.

Where will the endowment fund be invested?

The USTA/Midwest Tennis & Education Foundation will provide an option for management of the investment funds through our own investment advisor the Foundation utilizes. Any parties are invited to interview. Please notes, the founder of the endowment is welcome to hire their own independent advisor of their choice.

IV. General Frequently Asked Questions

How does the Foundation use bequests? The Foundation uses gifts from estates as the donor directs. Often bequests are made to establish a named endowment in honor of the donor or others. Endowments are permanent funds designed to provide a perpetual source of annual support for a designated purpose. Bequests can also be designated for current use, which makes the entire gift available for use immediately.

What is the Legal Name and Tax I.D. Number of the Foundation?

Legal Name: All planned gifts should be directed to the USTA/Midwest Tennis & Education Foundation, Inc., an Indiana nonprofit corporation, currently located in Indianapolis, Indiana.

Tax I.D. Number: USTA/Midwest Tennis & Education Foundation Tax I.D. Number is 35-1875466.

What language should I use in my will or trust? There is sample language provided below to guide you and your attorney as you prepare your will or trust. For more specific language or additional help, please feel free to contact Elizabeth Dickison.

What kind of gift can I give? There are several ways to give the gift of tennis:

- A specific dollar amount or a specific asset.
- All or a percentage of the “residue” of your assets (what is left after you have made other gifts).
- Unrestricted (used for general educational purposes of the Foundation).
- Restricted (used for a particular purpose).
- Structured (to provide lifetime income to family before the gift is available for use by the Foundation).
- Contingent (gift is made only if specific conditions occur, e.g., your spouse has died before you).

What if I’ve already made a provision for the Foundation in my trust or will? If you’ve already made a provision in your trust or will or have named the Foundation as a beneficiary of your retirement plan, IRA or life insurance policy, we invite you to contact us so we can acknowledge your gift. If you would prefer to remain anonymous your gift will be kept confidential.

Can I get tax benefits from making a bequest to the Foundation? Charitable gifts from estates present a variety of tax planning opportunities. Unlike charitable gifts made during your lifetime, you do not receive a current charitable income tax deduction. However, if your estate is subject to estate tax a bequest to the Foundation entitles your estate to an estate tax charitable deduction for the amount donated and reduces the amount of tax your estate must pay. Note also that if you make a gift by naming the Foundation as a beneficiary of your retirement plan or IRA, there are additional income tax benefits.

Do I need a will or trust? If you want to control the disposition of your property at the time of your death, you need to have a will or a trust to direct how and to whom your property should be distributed. In your will you can also name a person or company to administer your estate. If you do not have a will, state law determines to whom your property is given – with no provisions for gifts to friends or charities. Your will can be changed, by you, at any time with the help of your attorney.

V. Sample Language

Official bequest language for the

USTA/Midwest Tennis & Education Foundation:

I give to USTA/Midwest Tennis & Education Foundation, Inc., (the “Foundation”) an Indiana nonprofit corporation, currently located in Indianapolis, Indiana, for such uses and purposes as its board of directors may determine _______________ Dollars ($____________)

[alternate 1:] _____________ percent (______%) of the residue of my estate.

[alternate 2:] all of the residue of my estate.

[alternate 3:] specific asset for (purpose) by (player/program)

VI. Steps to Donating

Please be sure to confer with your counsel/advisor for specific advice on your donation.

1) You or your advisor contacts the USTA/Midwest Tennis & Education Foundation Office to discuss the purpose you wish to support at the Foundation and what kind of gift you would like to offer.

2) The USTA/Midwest Tennis & Education Foundation staff provides information and possibly gift illustrations showing the benefits and outcomes of the proposed gift.

3) After you and your advisor have reviewed these documents, the staff will set up a call or meet with you in person to review everything and discuss alternative gift options, explore tax implications, and refine your educational purpose.

4) When the terms of the gift are finalized, the Foundation prepares the contract for your signature. You review the contract with your advisor.

5) You and representatives from the Foundation sign the contract and you complete any necessary transfers to the Foundation. The gift is now complete.

6) The Foundation will provide follow-up information to aid you in reporting the gift to the IRS and claiming appropriate tax deductions.

*The process listed above includes the general steps needed to donate to the USTA/Midwest Tennis & Education Foundation. Certain gifts will require a more detailed process. It is best to contact Elizabeth Dickison with any questions. Elizabeth can be reached at 317-669- 0475 or elizabeth@midwest.usta.com.

Outright gifts of Cash
If you wish to make a gift of cash, you can mail a check to: USTA/Midwest Tennis & Education Foundation, 1310 East 96th Street, Indianapolis, IN 46240 Please make your check payable to the USTA/Midwest Tennis & Education Foundation and indicate which program you wish to support. You can also make a gift online by visiting www.midwest.usta.com.