SPECIFIC GIFT LANGUAGE

Naming the Northern Piedmont Community Foundation as a beneficiary of a specific amount from your estate is easy:

> I give and devise to NPCF (Tax ID #31-1742955 with offices located in Warrenton, VA, the sum of $________ [or asset] to be used for its general support [or for the support of a specific fund or program].

Residual Gift Language

A residual bequest comes to us after your estate expenses and specific bequests are paid:

> I give and devise to the Northern Piedmont Community Foundation (Tax ID #31-1742955 017), located in the northern Piedmont region (Culpeper, Fauquier, Madison and Rappahannock counties), all [or state a percentage] of the rest, residue, and remainder of my estate, both real and personal, to be used for its general support [or for the support of a specific fund or program].

Contingent Gift Language

The Northern Piedmont Community Foundation can be named as a contingent beneficiary in your will or personal trust if one or more of your specific bequests cannot be fulfilled:

> If [insert name] is not living at the time of my demise, I give and devise to the Northern Piedmont Community Foundation (Tax ID #31-1742955), with offices located in Warrenton, VA, the sum of $_________ [or all or a percentage of the residue of my estate] to be used for its general support [or for the support of a specific fund or program].

Retirement Plan Beneficiary Language

You may name the Northern Piedmont Community Foundation (Tax ID #31-1742955) as a beneficiary of your IRA or other qualified retirement benefits. Donors should consult with their tax advisor regarding the tax benefits of such gifts.

Naming NPCF as the beneficiary of a qualified retirement plan asset such as a 401(k), 403(b), IRA, Keogh or profit-sharing pension plan will accomplish a charitable goal while realizing significant tax savings. It can be costly to pass such assets on to heirs because of heavy tax consequences. By naming the Community Foundation as a beneficiary of a retirement plan, the donor maintains complete control over the asset while living, but at the donor's death the plan passes to support the Northern Piedmont Community Foundation free of both estate and income taxes.

Making a charitable gift from your retirement plan is easy and should not cost you any attorney fees. Simply request a change-of-beneficiary form from your plan administrator. When you have finished, please return the form to your plan administrator and notify the Northern Piedmont Community Foundation. We can also assist you with the proper language for your beneficiary designation to the Community Foundation.

CHARITABLE GIFT ANNUITIES

There are two basic kinds of charitable gift annuities.

Immediate Gift Annuities

Immediate Gift Annuities are payments to the annuitants that begin no later than one year after the date of the gift. Cash or securities are transferred to NPCF and NPCF then pays you or up to two annuitants you name, a lifetime annuity. The remainder passes to the Community Foundation when the contract ends.

The advantage of this type of annuity is that you receive an immediate income tax deduction for a portion of your gift. Your payments are treated as part ordinary income, part capital gains income and part tax-free income. *The gift benefits you now and Northern Piedmont Community Foundation later.*

Deferred Gift Annuities

The Deferred Gift Annuity *starts payments more than one year after the gift to build retirement earnings for the future.* **This type of annuity is recommended for younger donors.** Beginning on a specified date in the future, NPCF begins to pay you, or up to two annuitants you name, fixed annuity payments for life. The principal passes to NPCF when the contract ends.

The benefits from this type of annuity are that the deferral of payments permits a higher annuity rate and generates a larger charitable deduction. You can also target your annuity payments to begin when you need them, such as retirement. *The longer you defer payments, the higher the effective rate you will receive.*

We recommend that you consult your tax advisor to determine additional tax benefits to which you may be entitled.

For more information, please contact NPCF at 540-349-0631 or email.

CHARITABLE TRUSTS

Charitable Lead Trust

A Charitable Lead Trust is created by irrevocably transferring cash, stock, income-producing assets, or a combination of these assets to a trustee to be managed and invested. The income (either a fixed-dollar amount or a fixed percentage of the trust principal as revalued each year) is paid to NPCF for a specified number of years. *Upon the termination of the trust*, the remaining trust assets, including any appreciation of the assets, will pass to the designated beneficiary or beneficiaries, **with a substantial deduction on gift taxes in consideration of the income stream to NPCF.** The donor receives a charitable gift tax deduction for the present value of the annual income paid to Northern Piedmont Community Foundation. **This kind of trust has the ability to reduce or potentially eliminate gift tax on the future transfer of the assets to the remainder beneficiary.** *Additionally, the trust assets will have been irrevocably removed from your estate and will therefore not be part of your taxable estate and as such will not be subject to estate taxes.*

We recommend that you consult your tax advisor to determine additional tax benefits to which you may be entitled.

A Charitable Remainder Trust

A Charitable Remainder Trust allows you to contribute to NPCF while providing income for yourself and/or another person. *It can be tailored to meet your specific financial needs and investment objectives.* The trust is established by irrevocably transferring assets to a trustee to be managed and invested. *You – or someone you designate as a beneficiary – will receive income payments for life or a term of years not to exceed 20 years.* The income is either a fixed-dollar amount or a fixed percentage of the trust principal as revalued annually. *Upon the death of the beneficiary or the conclusion of the term of years,* the trust's remaining assets will transfer to NPCF for its general purposes or for the use specified by terms of the trust instrument.

Depending on how the trust is invested, the payments you receive may consist of ordinary income, capital gains income, tax-free income, or return of principal. When you establish a charitable remainder trust, **you are entitled to an immediate charitable income-tax deduction for a portion of the value of the donated assets.** The size of the deduction equals the projected value of the "remainder interest," at the time the trust terminates. *The deduction is calculated by an IRS-prescribed formula,* which takes into account the age and number of beneficiaries, the annual rate of payout, a federal discount rate, and the type of trust. It should be noted that if appreciated property is used to fund the trust, you may reduce or even eliminate payment of capital gains tax on the appreciation. *The CRT is entitled to sell the property and reinvest the proceeds to generate a return.*

NPCF requires a minimum contribution of $25,000 to establish a CRT. Please consult your tax or financial advisor for more information.

LIFE INSURANCE

Life insurance is also an excellent tool for making charitable gifts to NPCF for a number of reasons. **Life insurance provides an "amplified" gift that enables you to purchase immortality on an installment plan.** Through a relatively small annual cost (the premium), a benefit far in excess of what would otherwise be possible can be provided for charity. **This sizeable gift can be made without impairing or diluting the control of a family business or other investments and assets earmarked for family members can be kept intact.**

NPCF recommends that you consult your tax advisor to determine additional tax benefits to which you may be entitled.

For more information, please contact Northern Piedmont Community Foundation at 540.349.0631 or email.

IRAs and Retirement Plans

You can designate NPCF as a beneficiary of part or all the remainder of your IRA or retirement plan. Distributions from retirement plans at the death of **the survivor of the account-holder can be subject to both income and estate taxes.** In a large estate, these taxes can leave less than 30 cents on the dollar of the plan's balance for your children or other heirs. *By naming NPCF as the beneficiary of the remainder of your retirement plan, 100 percent of the plan's balance is available for the Community Foundation's use, since the distribution avoids both income and estate taxes.*

To Make This Gift:
You must notify your plan's administrator.
A "change of beneficiary" form will be required.

Sample Beneficiary Designation Language for a Spouse and NPCF:

> *The beneficiary is my spouse as long as he/she survives me. The beneficiary of any amount(s) remaining in the plan after the death of my spouse, or of the entire amount in the plan upon my death if my spouse does not survive me, or of any*

portion thereof that my spouse may disclaim, is NPCF, for its general charitable purposes or for the benefit of a specific program or personal interest.

We recommend that you consult your tax advisor to determine additional tax benefits to which you may be entitled.

Gifts of Stock

An Outright Gift of Appreciated Stock enables you, the donor, to obtain substantial tax benefits. First, you can receive an income tax deduction equal to the full fair market value of the stock on the date of the gift. In addition, no capital gains tax is due when NPCF sells the stock, so the full value of the gift supports our work in empowering the people and charitable organizations in our community. All gifts of stock must be approved by the NPCF Finance Committee prior to donation.

Appreciated stock is also an excellent asset to use for funding a gift plan that provides income for life. Because charity will benefit in the future from the principal of the gift, capital gains tax is avoided when appreciated stock donated into the plan is sold to reinvest for higher income.

We recommend that you consult your tax advisor to determine additional tax benefits to which you may be entitled.

Gifts of Real Estate

Gifts of real estate provide many of the same benefits as other assets: *charitable deductions, capital gain avoidance, gift and estate tax reductions, diversification, lifetime income with professional management, and the opportunity to reach your charitable goals.* **However,** an important additional benefit of giving real estate to NPCF is the opportunity to consider and implement a divestiture strategy without undue pressure, expense and anxiety.

Here are some reasons to consider a gift of real estate:

- You would like to make a gift to NPCF while retaining your cash and liquid assets.
- You are discouraged from selling appreciated property because of substantial capital gains tax liability and/or the decision of how to invest the proceeds.
- You own a rental or commercial property that has become a management issue.
- You are considering moving to a smaller home, retirement complex or closer to children.

- You are no longer using vacation property as in the past and are considering selling.
- You would like to convert annual outlays for maintenance and taxes into a lifelong income from your property.
- You recognize the illiquidity of real estate and would like to avoid problems associated with forced sales, multi-state property holdings and loss of control.

What are the most common ways to make a gift of real estate?

- An outright gift can be made of a partial or entire interest in a real estate holding. This is accomplished through the creation of a new deed reflecting NPCF's ownership of all or a portion of the real estate.
- Life, (Retained Life Estate). Give your residence, vacation home or farm to NPCF and continue to use it during your and your spouse's lifetimes – yet earn a tax deduction now for the gift.
- Receive a lifetime income by giving your real estate to a charitable remainder trust or charitable gift annuity. Transfer a partial or entire interest via deed to a charitable life income vehicle and receive income payments for life for you, your spouse, or other beneficiaries.
- You can sell your real estate to NPCF for a price below its market value and receive both cash and a charitable tax deduction for the forgone value in the property.
- You can give property to NPCF through a bequest in your will, receiving an estate tax charitable deduction and relieving your executor of the illiquidity and tactical issues associated with real estate.
- If you have income producing property that you would like to pass to heirs, you could transfer the property to a charitable lead trust for a period of years after which the property reverts to your heirs with little or no gift or estate taxes.

Gifts of real estate must be approved by the Finance Committee prior to donation. We recommend that you consult your tax advisor to determine additional tax benefits to which you may be entitled.