

# MEROLA OPERA PROGRAM LEGACY SOCIETY

## MAKING A BEQUEST TO MEROLA

A bequest can be in many different forms - cash, stocks/securities, life insurance, retirement funds, or other property made through your estate plans. The gift can be for a specific amount of money, for a percentage of your retirement account or estate, or for a percentage of the remainder of your trust after you have made bequests to your other beneficiaries. You can make a bequest to Merola by including language in your will or living trust leaving a portion of your estate to the Merola Opera Program, or by designating Merola as a beneficiary of your retirement account or life insurance policy. Making a gift to Merola with a bequest from your estate will help sustain and strengthen the Program in the future, and give the satisfaction of knowing you have provided for the future of opera.

Making a bequest to Merola has many advantages. You retain control of and use of your assets during your lifetime; you may make changes to your bequest if your circumstances change; and **Gifts to Merola from your estate are exempt from federal estate taxes**. Also, if you inform Merola of your plans of a bequest, we will recognize you as a member of our Legacy Society, and invite you to join other Legacy members at special events, including free off-season concerts with Merola alums.

## WAYS TO GIVE

- **CASH** - An outright gift of cash can be the simplest way to provide a gift via a bequest.
- **LIFE INSURANCE** - You can make Merola the beneficiary of a life insurance policy, and your estate will receive a charitable deduction from estate taxes for that gift.
- **PUBLICLY TRADED SECURITIES** - Publicly traded securities (stocks and bonds) can be used to make an outright charitable gift. Securities held longer than one year can be given, and you will be entitled to a charitable deduction from your income tax for the full fair market value of those securities. You also may be able to defer or completely avoid capital gains tax on the securities, depending on the type of gift. Publicly traded securities can also be given to Merola to establish a life income gift or through one's estate. Publicly traded securities may be transferred electronically from a brokerage account to Merola.

*To make a cash gift or for information on how to transfer securities, please contact Miriam Rosenfeld at 415-936-2311 or [mrosenfeld@merola.org](mailto:mrosenfeld@merola.org).*

- **RETIREMENT PLAN GIFTS** - Providing a gift from your IRA or other retirement plan can be a tax-efficient and simple way of including Merola in your estate plan. The best method is to name Merola as a primary or secondary beneficiary on your plan's beneficiary designation form. A charity that is named as the beneficiary does not pay income or estate taxes on the distribution, unlike individual beneficiaries.

*To name Merola as a beneficiary, you can obtain a beneficiary designation form from your IRA plan administrator. You will need to include the name of the beneficiary (Merola Opera Program), our address (601 Van Ness Avenue, Suite S, San Francisco, CA, 94102), and our tax identification number (94-6084831). This will provide an unrestricted gift to Merola. If you would like to direct your future gift to a specific purpose, please contact Jean Kellogg at 415-936-2321 or by email at [jkellogg@merola.org](mailto:jkellogg@merola.org).*

- **CHARITABLE REMAINDER UNITRUSTS** - A charitable remainder trust (CRUT) is an irrevocable trust. Once established, the CRT distributes a fixed percentage of the value of its assets (on an annual or more frequent basis) to you, and at your death, the remaining balance of the CRUTs assets are distributed to the designated charity. The trustee determines the fair market value of the CRUT's assets at the time of contribution.

**How it Works:** You may transfer cash or appreciated, marketable securities to a trustee, who then invests the trusts' assets and in exchange, you receive fixed, annual payments to you, for the rest of your life. The rate may vary from year to year, depending upon the performance of the trust's investments. The payout percentage is based on age, so the older you are, the higher the rate. Trust income, which is generally taxable in the year it is received, can be paid to you for your lifetime. If you are married, it can be paid for as long as either your or your spouse lives. The income can also be paid to your children for their lifetimes or to any other person or entity you wish, providing the trust meets certain requirements. Instead of lasting for someone's lifetime, the trust can also exist for a set number of years (up to 20).

**Benefits:**

- Convert an appreciated asset into lifetime income.
- Reduce your current income taxes with charitable income tax deduction.
- Pay no capital gains tax when the asset is sold.
- Reduce or eliminate your estate taxes.
- Gain protection from creditors for gifted asset.
- Benefit one or more charities.
- Receive more income over your lifetime than if you had sold the asset yourself.
- Leave more to your children or others by using life insurance trust to replace the gifted asset.

<b>Comparison of Income</b>		
	<b>Without CRUT</b>	<b>With CRUT</b>
Current Value of Stock	\$ 500,000	\$ 500,000
Capital Gains Tax*	- 60,000	0
Balance to Re-Invest	\$ 440,000	\$ 500,000
5% Annual Income	\$ 22,000	\$ 25,000
Total Lifetime Income	\$ 572,000	\$ 650,000
Tax Deduction Benefit**	\$ 0	\$ 31,625
<i>*15% federal capital gains tax only.            (State capital gains tax may also apply.)            **\$90,357 charitable income tax deduction times 35% income tax rate.</i>		

**Who should be the Trustee?**

You can be your own trustee, however, most people who name themselves as trustee have the paperwork handled by a qualified third party administrator. Merola works with **Richard Franceschini at Ragghianti Freitas LLP** and we will pay up to \$2500 in fees to establish the trust if certain requirements are met. The minimum funding amount to establish a charitable remainder unitrust with Merola contributing to the fees is at least \$100,000, with the actual minimum determined based on the

term of the trust and the payout rate. However, you may choose your own trust for any amount and name Merola as a beneficiary. If you would like to learn more about working with **Richard Franceschini at Raghianti Freitas LLP** to set up a charitable remainder unitrust, please contact:

**Richard T. Franceschini, Attorney at Law**  
**Raghianti Freitas LLP**  
**1101 Fifth Avenue, Suite 100**  
**San Rafael, CA 94901**  
**415-453-9433 ext. 134**  
**RFRAN@RFLAWLLP.COM**

- **CHARITABLE REMAINDER ANNUITY TRUSTS** – An annuity trust is similar to a CRUT except that it offers a fixed income in which you receive annual payments of a fixed percentage of the trust's value. With an annuity, regardless of the trust's performance, your income will not change. This option is usually a good choice at older ages. It doesn't provide protection against inflation like the unitrust does, but you may prefer the security of being able to count on a definite amount of income each year. Cash or readily marketable assets are best to fund an annuity trust.

#### **How it Works:**

You transfer cash, securities or other appreciated property into a trust, similar to the CRUT. The trust makes fixed annual payments to you or to beneficiaries you name.

When the trust terminates, the remainder passes on to the Merola Opera Program.

#### **Benefits:**

- You receive an immediate income tax deduction for a portion of your contribution to the annuity trust.
  - You pay no up-front capital gains tax on any appreciated assets you donate.
  - You or your designated income beneficiaries receive stable, predictable payments for life.
  - You have the satisfaction of making a significant gift that benefits you now and Merola later.
- **IRA REQUIRED MINIMUM DISTRIBUTION (RMD)** - Due to recently enacted legislation, you may also be able to make a gift to charity with a distribution from your Individual Retirement Account (IRA), and take advantage of tax savings. American citizens over the age of 70½ can distribute up to \$100,000 in a calendar year from an IRA to Merola or other charities, tax-free. This distribution to charity can be a significant benefit for IRA owners who are required each year to take minimum required distributions, which are included in their gross income for income tax purposes. If an IRA owner directs the IRA plan administrator to distribute any amount up to \$100,000 to charity, the distribution counts toward the owner's minimum required distribution, but is not included in his or her income for income tax purposes. Although the IRA owner is not entitled to a charitable deduction for the distribution, the distribution benefits the charity.

#### **How It Works:**

- You must be 70½ or older at the time of distribution.
- You may distribute any amount up to \$100,000 in a calendar year to charity, as long it is completed by December 31 of the year in which you intend to make the charitable distribution.
- Your IRA administrator must make the distribution directly to the charity, or you may write a

check payable to the charity from your IRA checkbook. For a sample letter of instruction to your IRA administrator requesting a distribution to Merola, please contact Jean Kellogg at [jkkellogg@merola.org](mailto:jkkellogg@merola.org), or call 415-936-2321.

- If you make a gift to Merola from your IRA, please include written instructions on how you would like to designate your gift by making a note on your IRA check. You can also call 415-936-2311 or email [mrosenfeld@merola.org](mailto:mrosenfeld@merola.org) with your gift designation:

Certain restrictions and requirements must be followed when making this type of gift. Before proceeding, you should also consult with your tax advisor to discuss your particular situation including any impact of your state's tax laws. For example, the following transfers will not qualify: distributions to private foundations, to donor advised funds, for life income gifts (e.g., charitable remainder trusts), and for any purpose that entitles you to receive a benefit.

Gifts may be sent to:

Merola Opera Program  
601 Van Ness Avenue, Suite S  
San Francisco, CA 94102

**Merola's federal tax identification number is 94-6084831**

***THANK YOU FOR ENSURING THE FUTURE OF OPERA FOR GENERATIONS TO COME!***