# Thinking Beyond Ourselves: Charitable Gifting

# **LIFETIME INCOME** CASE STUDY

*Presented by* ***Puplava Financial Services, Inc.***
Registered Investment Advisor

Robert & Sarah Brown

# Important Notice:

*This is a hypothetical illustration based on real life examples. Names and circumstances have been changed. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments or strategies may be appropriate for you, consult with a financial advisor prior to investing.*

# ESSENTIAL INFORMATION

| | |
|---|---|
| **Client:** | Robert & Sarah Brown |
| **Ages:** | Robert is age 65 and Sarah is age 69. |
| **Retirement:** | Robert wishes to retire soon. Sarah is retired. |
| **Life expectancy:** | Robert age 90. Sarah age 93. |
| **Risk tolerance:** | Moderately Conservative. |
| **Investment objective:** | Income with Capital Preservation. |

# WHO ARE ROBERT & SARAH?

**Name: Robert**

**Age: 65**

**Job: Corporate Lawyer**

Robert is tired of working long hours and having to travel on a regular basis. He wants to retire and really spend more time offering his services to his church and a non-profit he and his wife are involved with. He is uncertain about his ability to retire and would like to continue making regular contributions to charity. Robert has a pension and holds large amounts of company stock he received from bonuses.

**Name: Sarah**

**Age: 69**

**Job: Retired Therapist**

Sarah has been retired for the last couple years but is busier now than when she was working. She spends most of her time working as a volunteer at a private school and is heavily involved with her favorite charity helping underprivileged children. When Sarah isn't volunteering, she is very involved with her grandkids. If her husband retirees, Sarah would like to continue making regular contributions to charity.

# WHAT IS IMPORTANT TO ROBERT & SARAH?

**Continuing to support charities**


**Managing taxes**

**Leaving a legacy for their kids**

**Maintaining the same lifestyle in retirement**

# ROBERT & SARAH'S CURRENT BUDGET

| | |
|---|---|
| ✓ Essentials: | $61,800 |
| ✓ Discretionary: | $40,000 |
| TOTAL: | $101,800 |

| | |
|---|---|
| Robert's Salary: | $150,000 |
| Sarah's Social Security: | $19,000 |
| Surplus: | $67,200 |

# ROBERT & SARAH'S RETIREMENT BUDGET

| | |
|---|---|
| ✔ Essentials: | $62,400 |
| ✔ Discretionary: | $21,000 |
| TOTAL: | $83,400 |
| Robert’s Pension Income: | $43,000 |
| Social Security: | $52,000 |
| Surplus: | $11,600 |

# ROBERT & SARAH'S ASSETS

## Non-Investment Assets

| | |
|---|---|
| ✓ Primary Residence: | $460,000 |
| ✓ Personal Property: | $25,000 |

## Investment Assets

| | |
|---|---|
| ✓ Robert's Retirement: | $721,000 |
| ✓ Sarah's Retirement: | $263,000 |
| ✓ Joint/ROS & Cash: | $535,000 |
| **Total Investment Assets** | $1,519,000 |
| Total Assets: | $2,004,000 |
| Liabilities: | -$40,000 |
| Net Worth: | $1,964,000 |

# ROBERT & SARAH'S FINANCIAL PLAN CHALLENGES

1. Managing expenses to include charitable gifting.
2. Taxes, since both Robert and Sarah have pensions.
3. Legacy planning for their kids and favorite charities.
4. Concerned about longevity risk due to long life expectancies.

# ROBERT & SARAH'S RETIREMENT INCOME STRATEGY

| | | | |
|---|---|---|---|
| | | Robert's Pension Income | $43,000 |
| | | Robert & Sarah's Social Security | $52,000 |

## Investment Income

| | | | |
|---|---|---|---|
| Robert's Ret. | $721K | Fixed Income & Dividend Payers @ 3.1%[1] | $22,351 |
| Sarah's Ret. | $263K | Fixed Income & Dividend Payers @ 3.1%[2] | $8,153 |
| Joint/ROS Acct | $535K | Fixed Income & Dividend Payers @ 3.1%[3] | $16,585 |
| | | Total Investment Income | $47,089 |
| | | **Grand Total Income** | **$142,089** |
| | | Less Budget | $83,400 |
| | | **Surplus** | **$58,689** |

*1, 2, & 3: Yields are for current portfolio yields as of 10/25/16. Please see disclosures at the end of this presentation for security risks.*

# GOAL BASED RECOMMENDATIONS FOR ROBERT & SARAH

| Goal | Strategy |
| --- | --- |
| **Supporting charities** | Use highly appreciated stock to gift charity in place of cash. This reduces taxes while allowing them to continue support of charity. |
| **Reducing taxes** | Once Required Minimum Distributions (RMDs) start, use them to gift to charity. This reduces their taxes since RMDs are not taxed as income. |
| **Legacy planning** | Develop a trust that can specifically meet each heir's individual wishes. Gift the IRA to charity and taxable accounts to their kids to minimize tax-related impacts. |
| **Longevity risk** | Continue to make financial gifts while still alive but plan on making the large gifts after passing in order to ensure that their needs are met throughout retirement. |

# Disclosures:

1. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*

2. *The payment of dividend is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time.*

3. *Fixed annuities are long-term investment vehicles for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 1/2 are subject to a 10% IRS penalty tax and surrender charges may apply.*

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If you have any specific questions or comments, please give us a call at

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*We're happy to speak with you.*

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