

CALIFORNIA VEHICLE FOUNDATION CHARITABLE GIVING GUIDE

Outright Gifts

Gifts of cash are the easiest and most direct way to give to the California Auto Museum. For those of you who itemize on your federal income tax return, cash gifts are fully deductible. You can make a cash gift to the California Auto Museum by sending a check or money order made out to the "California Vehicle Foundation" to the following address:

California Vehicle Foundation
2200 Front Street
Sacramento, CA 95818-1107

Cash gifts are fully deductible for those individuals who itemize on their federal income tax return.

In addition to cash, the California Auto Museum accepts gifts of vehicles of any make and year. Donated vehicles that do not become part of the museum collection can be sold and the proceeds used to maintain and expand our collection. We also sell automobiles on consignment.

The California Auto Museum accepts gifts of stocks, bonds, real estate or other appreciated assets. Gifts of appreciated assets not only benefit the Museum, but may also help you avoid paying capital gains tax on the asset's increased value while giving you a charitable deduction for the market value of the property.

If you have any questions about making an outright gift, please do not hesitate to contact us at 916-442-6802.

Bequest by Will or Trust

Many members want to remember us in their Will or Trust. If you would like to include us in your Will, you can do so in a number of different ways.

If you want to give us a specific amount or percentage of your estate or a specific asset, please include the following language in your Will or Trust:

I give (insert amount, percentage, or description of asset here) to the California Vehicle Foundation of Sacramento, California, to be administered in accordance with and subject to the governing instruments of the Foundation.

If you want to give us your entire estate, or if you want to give us whatever is remaining in your estate after all of your gifts to other individuals and entities have been satisfied, please include the following language in your Will or Trust:

I give the remainder of my estate, of whatsoever kind and nature, including all property over which I may have a power of appointment at my death, to the California Vehicle Foundation of Sacramento, California, to be administered in accordance with and subject to the governing instruments of the Foundation.

Not only can you designate the specific amount or item of property you wish to leave us, you can tell us what you wish us to use it for by restricting it for a specific use, e.g. to support and maintain a specific part of our collection. If you wish to restrict your gift for a specific purpose, please include the following language in your Will or Trust:

It is my desire that my bequest be used to (insert desired use here). In the event that it becomes unnecessary, impractical or impossible to utilize my bequest for such a purpose, the California Vehicle Foundation shall have the right to utilize my bequest for such other charitable purposes as the Board of Directors of the California Vehicle Foundation deem appropriate.

Bequests can be of cash, stocks, bonds, securities, automobiles, real estate or other appreciated assets. Gifts made by Will or by Trust may help to reduce your estate tax liability. Please consult with your tax professional if you have questions regarding the impact of your gift on your tax liability. If you have any questions about making a bequest to the Museum in your Will or Trust, please do not hesitate to call us at 916-442-6802.

Gift of Life Insurance

Life insurance is often overlooked and underestimated, yet it can be a valuable and financially efficient way of making a planned gift to the California Automobile Museum. A charitable gift of life insurance is a wonderful way to use policies that will not be needed to protect a spouse or child (i.e. policies representing “excess” coverage) to help the Museum.

The IRC accepts various types of life insurance gifts, including:

- Naming the California Vehicle Foundation as a beneficiary of an existing life insurance policy.
- Donating an existing life insurance policy to the CVF.
- Purchasing a new life insurance policy for the CVF.

Donating an Existing Life Insurance Policy to the CVF

If you have a life insurance policy that does not require additional premium payments (i.e. a “paid-up” policy), you might wish to donate it to the CVF. By irrevocably assigning ownership of the policy to a qualified nonprofit institution like the CVF, you make a completed charitable gift. Since the policy no longer belongs to you, you can take an income tax charitable deduction equal to the lesser of the replacement value of the policy or your cost basis in the policy.

A gift of a policy that is not fully paid up would entitle you to an income tax deduction for the lesser of the interpolated terminal reserve (plus the proportionate part of the gross premium last paid before the gift that

covers the period extending beyond the date of donation) and your cost basis in the policy. The interpolated terminal reserve is usually slightly more than the cash surrender value of the policy. In both instances, your gift would be deductible up to 50% of your adjusted gross income, with a five-year carryover for any excess.

If you continue to make premium payments on the policy, you will receive a tax deduction for the payments. After your lifetime, the donated policy would be excluded from your estate and be fully deductible for estate tax purposes.

Purchasing a New Policy for the CVF

You can also decide to purchase a new life insurance policy, designate the Museum as beneficiary and assign ownership to the CVF. Whether you make one single premium payment or pay premiums over a number of years, your deduction in the first year will be the gross amount of the premium paid in that year. Payments made in additional years would result in additional income tax deductions.

Naming the CVF as a Beneficiary of a Life Insurance Policy

You can also name the CVF as a beneficiary (full or % interest) of a permanent life insurance policy. You would simply do this on the beneficiary designation form provided by your life insurance company (or sometimes just by making a simple phone call to your agent). Since you are not irrevocably assigning ownership of the policy to the CVF, you would not receive a tax deduction for your gift; however, you would receive an estate tax deduction for the amount that would ultimately pass to the CVF.

Charitable Remainder Trusts

A charitable remainder trust is a wonderful way to make an impact on the California Automobile Museum and create a reliable payment stream for you and/or the beneficiaries you select.

How Does It Work?

A charitable remainder trust (CRT) is available in a variety of formats and can be funded with a wide range of assets, including securities, cash or real estate. A CRT provides annual payments to you and/or other beneficiaries you designate for life or for a selected term of years. The remainder is then put to use by the California Automobile Museum as you direct.

Relief From Taxes

If you establish a CRT, you may be eligible to receive several tax benefits, including a current charitable income tax deduction, a bypass of capital gains tax on appreciated assets, and a reduction in estate taxes. Your tax adviser will help you determine how each of these benefits applies in your specific situation.

Example

Mr. and Mrs. Smith are 69 years old. Together, they fund a charitable remainder unitrust with \$75,000 in appreciated securities.

Based on a 6% unitrust payment, the Smiths will receive in the first year a \$4,500 unitrust payment. In the following years, that amount will change based on the trust's annual value. The unitrust payment will be paid to both of the Smiths while they are both living, then to the survivor for the rest of his or her life.

In addition to their annual payments, the Smiths will be entitled to a charitable income tax deduction of \$26,019.75 in the year they establish their trust.

The money left in the trust after the Smiths have died will support the Museum in the way the Smiths designated when they set up their trust.

Regular Payments—A Great Way to Supplement Your Income

You and your beneficiaries will receive regular payments from the trust for the entire trust term.

If you establish a charitable remainder annuity trust (CRAT), your annual payment will be a fixed percentage of the initial value of your trust. Your trust “annuity” payment will not fluctuate from year to year based on market performance, and you will receive a predictable payment stream during the trust term.

If you instead establish a charitable remainder unitrust (CRUT), your annual payment will be a fixed percentage of the trust’s principal as it is revalued each year. Thus, your “unitrust” payment will increase when the trust value increases, allowing you to benefit from strong market performance, but will decrease if the trust value decreases.

If you want to fund a trust with a gift of real estate (or other hard-to-sell assets), you might want to establish a special kind of CRUT known as a “Flip” CRUT. Until the trust sells the real estate, your annual payments will comprise only the net income of the trust. After the sale, however, you will begin receiving annual unitrust payments as described above. A “Flip” CRUT can provide a great way to convert unneeded illiquid assets into a regular payment stream for you and a wonderful legacy for the CAM. Typically, your CRT annual payment will be made quarterly, but you can decide how often you want to receive your payments when you establish your trust.

Your Legacy for the California Automobile Museum

At the end of the trust term, the assets remaining in the trust will be distributed to the California Vehicle Foundation for the purposes you designate. For example, you might direct that the remainder be distributed for the Museum’s unrestricted use, to support education programs, to increase the Museum’s Endowment Fund, or to establish a scholarship fund, exhibit area or new program in your name.

Gift of Retirement Plan Assets

Maximizing a Tax-Free Gift of Retirement Plan Assets

For many, a retirement plan is an important building block for future financial security. Many individuals enjoy significant growth in their accounts over time, comfortably benefiting from years of the assets' tax-deferred growth in an expanding market.

However, if the account is no longer needed as a primary source of retirement income, it may not be exhausted during an individual's lifetime. As a result, any assets remaining in the account when the individual dies will be subject to income and, in some cases, estate taxes.

In some situations, this exposure can result in a combined tax hit of more than 50%, potentially leaving less than half of your plan assets to heirs. Even if your estate is not large enough to be subject to estate tax, and even if your spouse is your account beneficiary (thus avoiding estate tax), income tax will always be owed on the assets when they are withdrawn by an individual beneficiary.

Solving the Tax Dilemma – A “Bequest” of Retirement Plan Assets

Faced with this dilemma, many donors are using their retirement plans to establish special philanthropic legacies. By naming the California Vehicle Foundation as your retirement plan beneficiary, you will avoid income and estate tax altogether, and 100% of the value of the account will be applied for the benefit of the Museum for purposes you designate. You will maximize the impact of each dollar in your plan and your impact on the California Auto Museum.

Making a gift of your retirement assets at the end of your life is easy. You simply need to request a new beneficiary designation form from your plan administrator and add the Law School Foundation as your beneficiary. You may designate a specific portion or all of your plan assets to benefit the Museum, or, as is often the case with larger qualified plans, you may

wish to establish an endowed scholarship or program that will be administered in perpetuity. For example, if you want to provide funds for the Museum's unrestricted use, simply complete your form by designating the "California Vehicle Foundation" (tax i.d. # 94-2902791) as your beneficiary. Note that if you are married, your spouse may have to consent to your designation.

Because any designation of your retirement plan for the California Vehicle Foundation needs to fit into your overall estate plan, we recommend that you consult with your professional advisers before completing your designation.