Tranquilidad Foundation
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Legacy Giving and Tax Efficient Giving

Our founders, Sam and Roxanne Turnipseed, created this foundation in 2012 after being called by God to sell their home in the US and purchase land in Quimistan, Santa Barbara, Honduras in order to build a home for orphaned, neglected and/or abused children.

With your support, we have built homes and facilities, as well as programs to deliver the mission – **thank you**. Since the receipt of our first child in late 2015, we have had 16 children live with us for varying amounts of time. Our programs and staff have matured into an enduring organization that will continue to deliver much needed support to these and future children.

When Sam died in 2019, he left a living legacy in the children who continue to receive loving care here within our Foundation and their foster families. The Turnipseed's financial planning, included 'Legacy Giving' that will, in a small way, help to sustain what God has started for years to come.

Annual donations are key to meeting the need each year. As we look to the future, the Board is asking you to also consider joining our founders in building an enduring funding source for our mission.

The Foundation nor Board are financial advisors; however, we recognize that charitable giving**, both annually and as a legacy**, can be complicated. One of our donors has provided simplified discussions on "**Legacy Giving and Tax Efficient Giving"**. Our hope is that you will find this information helpful as you consider the unique ways you can help to support our mission each year and how you may **Leave a Living Legacy** upon your death. For financial advice specific to your situation, please contact your accountant, plan administrator or financial advisor.

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Legacy Giving

Planned giving can provide a legacy for the beneficiaries of Tranquilidad that lasts well beyond your lifetime. These lasting forms of giving typically involve some form of estate planning which transfers assets to Tranquilidad Foundation upon your death.

- **Bequests from Your Will**

  You can include language in your will or trust specifying a gift to be made to Tranquilidad Foundation as part of your Estate Plan. This is probably the most simple and common method of providing a legacy from your estate upon your death.

  Benefits
  1. Receive an estate tax charitable deduction.
  2. Reduces the burden of taxes on your family, depending on your circumstances.
  3. Leaves a legacy to charity that lasts beyond your lifetime.

  Bequests may be made in several ways
  1. Percentage Bequest – make a gift as a percentage of your estate.
  2. Specific Bequest – make a gift of a specific dollar amount or a specific asset.
  3. Residual Bequest – make a gift from the balance of your residue of your estate after fulfilling other bequests.

- **Gifts of Retirement Assets**

  Donating part or all of your unused retirement assets as a gift from your IRA, 401(k) 403(b), pension or other tax-deferred plan is an excellent way to make a gift to Tranquilidad Foundation.

  If you are like most people, you probably will not use up all of your retirement assets during your lifetime. You can make a gift of your unused retirement assets to help further the mission of TQ.

  How To Make A Gift Of Retirement Assets
  To leave some or all of your retirement assets to Tranquilidad Foundation, you will need to complete a beneficiary designation form provided by your retirement plan custodian. If you designate TQ as a beneficiary, we will benefit from the full value of your gift upon your death. Your estate will benefit from an estate tax charitable deduction for the value of your gift. These beneficiary designations are typically denoted by defining percentage beneficiaries for each beneficiary designation.

  Benefits of Gifts of Retirement Assets
  1. Avoid potential estate tax on retirement assets.
  2. Your heirs would avoid income tax on any retirement asset funded with pre-tax dollars.
  3. Receive potential estate tax savings from an estate tax deduction.

  More on Gifts of Retirement Assets
  Did you know that 60-70% of your retirement plan assets may be taxed if you leave them to your heirs at your death? Another option is to leave your heirs assets that receive a step-up in basis upon your death

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such as real estate and stocks and give your assets to Tranquilidad Foundation. As a charity, we are not taxed upon receiving an IRA or other retirement plan assets.

- Gift of Life Insurance
  A gift of life insurance is a great way to leverage your impact at TQ by allowing you to make a sizeable gift for pennies on the dollar.

  How To Make a Gift of Life Insurance
  1. You can make a meaningful impact by naming Tranquilidad Foundation as owner and beneficiary of a life insurance policy. If your policy is not fully paid up, you can make an annual gift to the Foundation to cover the annual premium payment and receive a tax deduction receipt. When the policy matures, the proceeds will be paid to TQ Foundation to be used in accordance with your designated instructions.
  2. Rather than transferring ownership, you may also wish to consider simply designating Tranquilidad Foundation as beneficiary of all or a percentage of an existing policy. To designate the Foundation bas a beneficiary, contact your life insurance provider to request a beneficiary form which will allow you to update your beneficiary information.

  Benefits of Making a Gift of Life Insurance
  1. You may receive a charitable income tax deduction where ownership of a policy is transferred to TQ Foundation.
  2. If the policy is not paid up, you may also receive a deduction for the annual premium payments if TQ Foundation owns the policy.
  3. You can make a meaningful impact with modest premium payments.
  4. Great way to leverage your gift and enhance your legacy impact beyond your lifetime.

Tax Efficient Giving – Giving During Your Lifetime

Tranquilidad has many retired donors, and many more nearing retirement ages, who may want to take advantage of the tax-savings associated with ***gifting appreciated assets from a brokerage account*** or using ***Qualified Charitable Donations (QCD's) to satisfy donor's Required Minimum Distributions (RMD) from IRA's***.

Below are some ***Question*** and ***Answers*** which we hope will explain the reasoning for developing these new processes.

Why did the Board take these steps?
As IRA's and investment accounts become more prevalent forms of saving for retirement, the Board felt it was appropriate to be prepared to receive stock gifts and QCD's to provide enhanced flexibility to potential donors.

What steps did the Board have to take to prepare to receive these forms of donations?
TQ has opened a brokerage account with Schwab.com, where two presiding officers (President and Treasurer) have decision authority over the account. This action required no capital outlay. The reporting and account management occur via on-line access.

What does the TQ do with gifts of stock or QCD's when they receive them?

TQ is not in the business of investment management, so rather than exposing the foundation to any market risk associated with holding stock (unless directed otherwise by the donor), TQ immediately sells the gifted stock and electronically transfers the funds resulting from the sale into its operating accounts. Donors receive a contribution receipt for the value of the stock as of close of business on the day the transfer occurs. With QCD's from IRA's, the gift already come in monetary form as a check from the donor's IRA administrator made out to TQ.

Who is involved in the management of the TQ brokerage account?
The President and the Treasurer, two duly elected officers of the Foundation. The Treasurer is already authorized to open and close bank accounts associated with the operation of the church. For security purposes, if either the President or Treasurer cycle out of office, account access passwords will be changed such that the departing officer no longer has access to the account.

How does the donation process work?
Generally, when a donor desires to make a charitable gift of stock from a brokerage account, the donor contacts TQ's Treasurer and requests TQ's recipient account information. The donor then contacts their account manager (like Schwab, Fidelity, etc.) and directs them to transfer X shares of company EZEE to TQ's recipient account and provides them with the TQ account information.
If the gift of shares is coming from a non-tax-advantaged investment account (i.e., a brokerage account), the transfer is called a "gift of appreciated stock", and the donor receives in return an In-Kind Donation Letter stating the type and amount of stock donated, along with the monetary value of the donation. Note that this donation letter occurs in the same deduction category – a non-cash donation – as one would receive if they donated used items to Goodwill.

If the donation comes from an IRA and assuming the donor is 70 ½ years old or older, the donation is called a Qualified Charitable Donation (QCD). In this case, the donor requests their IRA administrator issue a QCD to Tranquilidad Foundation – the administrator then issues a check directly to TQ and the amount of the donation is ***not reported as ordinary income***. This feature – making a donation from an IRA without creating a tax burden, can be especially meaningful for donors who use standard deductions for their tax filing. Donation limits are $100, 000 per individual or $100,000 each for married filing jointly tax filers.

Additionally, if a donor is age 72 or older and ***must*** take Required Minimum Distributions (RMDs) from an IRA, the QCD can be used to satisfy some or all of the RMD.

What are the advantages of making a gift of stock from an investment account?
Because the tax savings for the donor can be compelling. On appreciated stock held for more than a year, capital gains tax (15% - 20% depending on income status) is due on the taxable gain (the difference between purchase price and selling price) when the shares are sold. By donating the stock, the donor not only receives a donation receipt for the value of the donation, but the capital gains tax is ***eliminated for the donor***.

Let's consider the case of Jane, a single retired Delta flight attendant. Jane worked at Delta when they offered pension benefits and was working there when they transitioned their retirement plans to a defined contribution plan, so she has a Delta 401(k) as well as her pension. Jane lives comfortably on her Delta pension and occasionally dips into her investment accounts and 401(k) for special needs or emergencies. In 2006, Jane got a bonus from Delta as part of a union negotiation, opened a brokerage account and invested her bonus in domestic stocks. One of the stocks she bought was a mid-sized apparel and shoe company called Nike, Inc.

(NKE). She made a $5,000 investment in NKE at $10/share, so she bought 500 shares. She hasn't sold any of it – she didn't need the money to live on and had other investments where the capital gains tax would be less punitive when she needed to raise funds. Jane is in the 25% ordinary income tax bracket and her capital gains tax rate bracket is 20%.

As Jane considers contributing to her favorite charities, she faces a decision on which source of funds to use for her contribution. She could just use her checking account – the taxes have already been paid on that money through deductions withheld from her pension, but since she uses that money to live on, she would have to sell some stock to replace the funds in her checkbook. That stock sale would incur a tax burden in the form of capital gains tax (tax on the profit from her stock sale). Jane talks to her financial advisor who informs her of the tax benefits of donating appreciated stock rather than cash, and Jane decides to use her NKE stock strategically. NKE is trading at $125/share, so her original $5,000 investment is now worth $62,500 (500 shares x $125/share). Jane needs to generate $5,000 to fund her new charitable donation. If she paid that out of her checking account, she would need to sell more than $5,000 worth of stock to pay the capital gains tax and still have $5,000 left to replace the funds she donated. Doing the math, she finds if she sells 40 shares of stock at $125/share, that will equal $5,000. But she would have to pay tax on her gain – the $125/share sales price minus the $10/share that she paid for it in 2006, so she would owe capital gains tax of $920 (20% tax rate X 40 shares X $115/share = $920). Her $5,000 stock sale would only net her $4,080 toward her donation goal!! Following her financial advisor's advice, she chose instead to DONATE THE SHARES directly to her charity. On her instruction, her broker transferred 40 shares of NKE to TQ and Jane received an In-Kind Donation receipt from the TQ for the full $5,000, skipping capital gains tax altogether.

What are the advantages of making a Qualified Charitable Donation from an IRA?
Let's reconsider Jane's case above. When she retired from Delta, Jane rolled her Delta 401(k) into a self-directed IRA to eliminate the fees Delta's plan administrator charged to manage her 401(k) and to have better investment control over her retirement account.

Jane turned 72 last year and has found that she now must take Required Minimum Distributions (RMD's) from her retirement accounts. Since this is the first year where she will be 72 years old at the start of the year, she will need to withdraw 3.65% of the beginning of year account value or suffer a 10% penalty, payable to the IRS, on that amount. Her IRA balance beginning the year was $200,000, so that means she HAS TO withdraw $7,300 from the account, and that withdrawal will be taxed at her ordinary income tax rate of 25%, an $1,825 tax burden.

So, when she finds TQ has an immediate need for additional donations, Jane, now somewhat of a tax expert, knows how she can respond. She makes a Qualified Charitable Donation from her IRA of $7,300 to TQ, which satisfies her RMD requirement, and this move creates no additional tax burden, since QCD's are not reported as income. This process may be used for part or all an annual RMD.

Can I make a Qualified Charitable Donation from a 401(k)?
No. At present, QCD's can only be made from IRA's. Most donors who are interested in this form of giving also have "rollover IRA's" which are used to receive all or portions of their 401(k) after they retire to reduce fees and provide greater flexibility in investment choices.