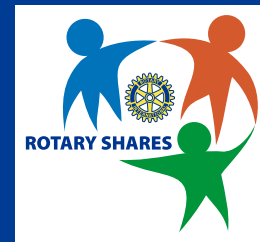


The Rotary Foundation
of Rotary International

www.rotary.org

VISIONS

CHARITABLE ESTATE & FINANCIAL PLANNING IDEAS FROM THE ROTARY FOUNDATION



DO GOOD IN THE WORLD WITH YOUR RETIREMENT

Dear Rotarians and Friends:

One thing is certain in life: Change is inevitable. Fluctuations in investment markets, enactment of the Pension Protection Act of 2006 and other factors have proven this adage in the financial world. In light of these changes, now might be an excellent time for you to consider how recent activities may have affected your financial plans.

Many people put estate planning on the back burner after tax law changes in 2001 mandated that the estate tax would fade away over time. However, it remains important to take steps to maximize your estate for loved ones by limiting federal and estate taxes. Indeed, it is difficult to predict whether the estate tax will ever be completely eliminated. Regardless, it is important to make smart decisions about how your assets can be strategically handled to properly benefit loved ones and provide for charitable interests.

This issue of *Visions* focuses on how careful attention to the management and distribution of retirement assets can allow you to make significant gifts to help promote the mission of The Rotary Foundation while leaving more for your heirs than might have otherwise been possible. You can increase the impact of your personal legacy by utilizing the best options for making meaningful gifts. The Rotary Foundation staff stands ready to assist you and your advisors. Continue reading to find strategies and information that could be relevant to your long-term planning.

See page 2 for an example of how one couple chose to make a tax-wise gift last fall. Please consider how your gift to The Rotary Foundation can help you, your loved ones and the beneficiaries of Rotary's programs for years to come. The Foundation Trustees look forward to welcoming you as a new or increased Major Donor or Bequest Society member based upon your informed estate planning decisions.

Thank you,

Ed Futa, General Secretary
The Rotary Foundation of Rotary International



*Ed Futa,
General Secretary,
The Rotary
Foundation of
Rotary International*

INSIDE

- *Avoid needless taxes*
- *Give from retirement plans*
- *Meet many goals*

ROTARIAN CREATES LASTING LEGACY



*Richard and Edna Ray,
Rotary Club of Quail
Point (Medford), Ore.*

Rotarian Richard A. Ray was excited when his attorney mentioned the Pension Protection Act of 2006 as a way of making an immediate gift in support of The Rotary Foundation. Since he had already included an estate gift to TRF, he and his wife, Edna, decided to go forward with a generous contribution

from his Individual Retirement Account. "Rotary is very extensive, covers the whole world and is just a positive thing," he said.

Mr. Ray contacted his IRA administrator and the transfer quickly took place as directed. "The process was all very simple," he said. "[I] really didn't have to do anything except direct where the money needed to go."

The Rays' donation was designated to the Permanent Fund with the earnings to the World Fund. The gift will last in perpetuity and be used where the need is greatest.

A member of the Rotary Club of Quail Point (Medford), Ore., Mr. Ray was able to make a lasting global impact from his small corner of the world. As an added bonus, he and Edna will see the humanitarian benefits created by the contribution.

The Rays are now Major Donors to the Foundation and can decide whether to make an additional gift in their estate plan. "What organization could be better?" he reflected. "[I don't] know of any organization that does as much and on as wide of a scope as Rotary."

WE WANT TO THANK AND RECOGNIZE YOU

You can **Share Rotary** and be an inspiration to others by letting the Trustees of The Rotary Foundation recognize your current or future gifts through your estate to The Rotary Foundation.

THE ROTARY FOUNDATION BEQUEST SOCIETY



You may become a member of the Bequest Society by making a commitment of US\$10,000 or more to the Foundation through your estate. Bequest Society members receive a Bequest Society crystal and pins, and invitations to special events.

MAJOR DONOR RECOGNITION



The Rotary Foundation also recognizes those whose giving has reached a total of US\$10,000. All outright contributions are included in this total, regardless of the gift designation.

ARCH C. KLUMPH SOCIETY AND GALLERY

When cumulative gifts total US\$250,000 or more, donors can become members of Arch C. Klumph Society and will have their photos displayed prominently at R.I. world headquarters.

SHARE ROTARY TODAY BY UTILIZING YOUR VERSATILE RETIREMENT FUNDS

In addition to making gifts from retirement funds as part of your estate planning, such funds may represent another “pocket” from which you can make immediate gifts to the Foundation.

If you are 59½ or older, amounts withdrawn for gifts would be taxed as income, but they would not be subject to a 10% penalty for early withdrawal, and an offsetting charitable deduction could mean income or estate taxes would never be due on these funds.

ARE YOU REQUIRED TO TAKE IRA WITHDRAWALS?

Those older than 70½ who must take unneeded taxable distributions from traditional or Roth IRAs may be pleased to learn of a special provision in the law. For the remainder of 2007 only, you are allowed to direct that your mandatory withdrawal amount (or other amount up to \$100,000 from each spouse’s account) be used to make charitable gifts on a totally tax-free basis.

If you are interested in making a direct, tax-free transfer out of your IRA, contact the Foundation for assistance and easy-to-use forms.



MEET MULTIPLE NEEDS

Did you know it may be possible for you to provide support for those important to you, increase income in retirement years and reduce taxes? Through careful planning, you may be able to achieve all these goals through a Rotary Charitable Gift Annuity or Charitable Remainder Trust. By making this type of gift, you may receive the following benefits:

- Immediate charitable income tax deduction.
- Fixed (or variable) payments each year for your lifetime and/or the life of a loved one.
- If the assets used to make your gift pay little or no interest or dividends, such as real estate or stock, you may unlock additional income.
- Amounts used to fund your gift may be removed from your taxable and probate estate.
- You will not incur capital gains tax at the time of your gift.
- The Rotary Foundation eventually receives the remaining funds to further the mission of Rotary.

Contact the Foundation for a personalized illustration of possible benefits.

RI Director Paul Netzel and his wife, Diane, of the Rotary Club of Los Angeles, Calif., strongly believe in the mission of Rotary. Since 1999, they have generously contributed to fund eight deferred charitable gift annuities with The Rotary Foundation. “We are confident that our funds will be used appropriately because we have seen firsthand the thought put into each and every project. We decided to use the deferred gift annuity as part of our estate planning because we like knowing we will receive income for the rest of our lives and Rotary programs will benefit long after we are gone.”

PREVENT TAXES FROM CONSUMING YOUR RETIREMENT ASSETS

When considering their long-term estate and financial plans, many are surprised to discover that multiple layers of taxation can result in an effective tax rate of more than 64% on IRAs, Keogh plans, 401(k) and other retirement plan assets. As a result, heirs could ultimately receive a smaller portion of those assets than intended.

TAXES DECREASE INHERITANCE

The maximum federal estate tax in 2007 is 45% for amounts greater than \$2 million. That means if you leave \$1 million in retirement plan assets in a taxable estate to a loved one, federal estate tax could be as much as \$450,000!

Unfortunately, that is not all. Income tax of up to 35% on the net \$550,000 could be due, leaving just under \$360,000—or 36%—remaining from these funds. The impact of state inheritance and income taxes could, in some cases, further decrease the amount received by heirs.

INCREASE FUNDS FOR LOVED ONES AND THE ROTARY FOUNDATION

Because of the possibility of this “double taxation,” it may be best to make *charitable* distributions from retirement assets remaining at death and leave other assets to loved ones.

Funds left for charitable purposes in this way will be fully deductible from estate taxes and will not be subject to income tax when received by The Rotary Foundation. Funds left to loved ones from most other sources may still be subject to estate tax, but are not required to be reported for income tax purposes. The net result is reduction of the overall impact of income and estate taxes while making more funds available to your loved ones and the charitable interests you wish to benefit.

It is easy to accomplish this by naming the Foundation as a beneficiary or contingent beneficiary of your retirement plan (where possible) or making a specific direction in your will or trust that charitable gifts are to be made from retirement assets first. Your legal advisor can provide specifics based on the laws of your state and other circumstances.

FOR MORE INFORMATION

The Rotary Foundation staff will be happy to work with you and your advisors as you explore the opportunities of using a retirement account to support our global mission. Please return the enclosed reply card or contact:

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be downloaded at
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