

Without Losing The Residence

As they reach retirement age, couples that have built their lives around the family farm in America are facing a new dilemma.

The farm represents their most significant asset, their residence is on the land, and leasing the farm will only produce 2% to 3% of its present value.



Here's an option that makes it possible to sell the farm, increase income for the retirement years and even avoid moving from the family home.

Without Losing The Residence

(continued from inside panel)

generate an additional \$12,000 of income for John and Mary in the first year of their retirement. Upon their passing, the remaining value in this trust also passes to charity.

A Springboard To The Golden Years

In spite of the misgivings that surely come in the midst of a decision to sell the farm after investing a lifetime in its productivity, this can mark the beginning of an exciting new era. And thanks to a number of planning options that are at your fingertips, the value represented by the farm can represent significant value in the retirement years.

For customized information on a plan that meets your specific objectives, we encourage you to contact our Office of Planned Giving. This charitable tax planning information is offered as an educational service to friends, and there is absolutely no cost or obligation.

(This information is provided as an educational service. Personal advisors should always be consulted in the planning process.)

Compliments of:

Wordell Law Group, PC

C. Kipp Wordell, JD

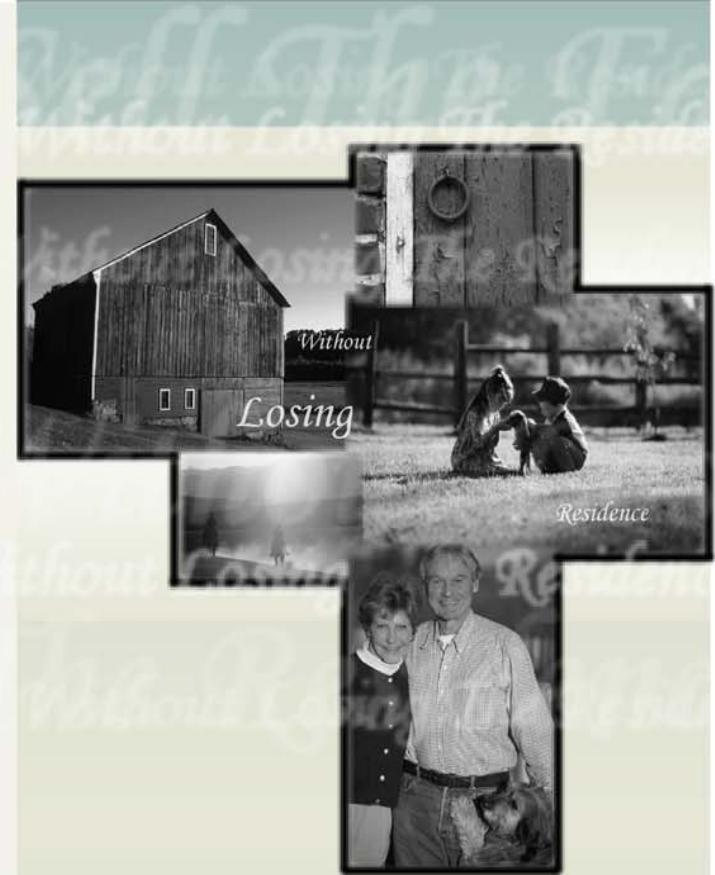
204 North Pine Street
Nevada City, CA 95959

www.wordelllaw.com

gift@wordelllaw.com

530-913-0562

Edward W. Cotney



Sell The Farm

Without Losing The Residence

A New Lesson In the 3 R's



Retirement, residence and residual estate value for children sum up the critical factors for John and Mary Jones. The farm does not produce a sufficient income stream for the couple's retirement objectives, yet an outright sale of the asset will have tax consequences resulting in a drastically reduced inheritance for the children. In addition, John and Mary do not want to move from the residence that is located on the farm property. Thankfully, there is a plan that meets their objectives.

Sell The Land And Pay Zero Tax

Let's assume we're dealing with farmland belonging to John and Mary Jones, valued at \$600,000. In our example below, half of the land is transferred into a Charitable Remainder Unitrust and sold by the trustee. There is no capital gains tax, and the couple receives a charitable income tax deduction of \$87,360.

The remainder of the land is sold for the fair market value of \$300,000, providing John and Mary with some much-needed liquidity. Thanks to the in-pocket tax savings generated by the trust, the net result is that the couple owes no tax.

In addition, for the remainder of John and Mary's lives the trust pays them \$18,000 each year, representing an increase over what the land had been generating. Upon their deaths, the value remaining in the CRT results in a gift to charity of more than \$480,000.

The Right To Live In The Residence

For illustration purposes let's assume that the fair market value of the homestead is \$150,000. First, the Jones retain their homestead. Next, they deed the homestead to charity while retaining the right to use the homestead for life. The couple will benefit from an immediate charitable income tax deduction of approximately \$37,000.

The "Rawhide" Trust

Of course, most farms consist of more than simply the land. In our example, there is another \$200,000 of value in cattle, crops and machinery. If John and Mary had a combined federal and state income tax rate of 35%, the sale of the cattle, crops and machinery would produce a tax of \$ 70,000! If, however, they were to transfer these assets into a unitrust, there would be no tax on the sale, thereby leaving the full \$200,000 to be invested by the trust. This trust will

(see back panel)

I have reviewed your brochure entitled "Sell The Farm Without Losing The Residence" and

- I would like to speak with someone who can provide additional information.
- I would like to receive information on other charitable tax planning options.

Name _____

Street _____

City _____

State / Zip _____

Phone _____

E-mail _____

(Please complete and return to the address indicated on the back panel. All inquiries are treated in complete confidence.)

