

Lifetime Gifts of Real Estate



Satisfaction and Joy

Our donors sometimes wonder if they should make a gift of real estate during their lifetime or wait until their passing (using a bequest in their will or living trust). While making a gift of real estate by bequest lets you retain control of the property should you need it to meet personal needs in the future, if you have other resources to rely on, there are definite advantages to accelerating your gift for you to consider.

By giving your real estate to Wheaton College while you are living, you can experience the immense satisfaction of seeing your gift in action. If it is property Wheaton will sell, you can see the cash proceeds put to work as you desire. If it is property that Wheaton will retain and use, you will have the joy of seeing your property improve and enrich the lives of others every day.

Peace of Mind

Peace of mind comes from a lifetime gift in several different ways. One is knowing that the gift is made and that nothing will intervene to delay (or worse, negate) your transfer down the road. In addition, the executor of your estate will not have to worry about the property when you are gone. Otherwise, your executor, who may well be a friend or loved one, must step in and manage the property until it is deeded over to Wheaton.

Also, you are instantly relieved of ownership concerns and worries. No more management duties and responsibilities; no more real estate taxes or property insurance to pay; no more potential, however remote, for personal liability due to property conditions.

“This beloved [institution] – I feel was committed to my care – and my heart goes out lovingly to it, and to the pupils who have been educated here.”

– Eliza Baylies Chapin Wheaton In address to Board of Trustees, 1899

Tax Savings

As long as you have owned the real estate more than one year, you will receive an income tax charitable deduction in the year of the gift for the full fair market value of the property, even if it has grown in value since you purchased it. This means you can save on both federal and state income taxes immediately, giving you more cash to spend today on the things you need or want.

In addition, there will be no tax due on the capital gain in the property. This means that you will not only save on income taxes, but also do so with a deduction based partly on appreciation that was never taxed.

Income tax charitable deductions for gifts of appreciated real estate can be reported up to 30 percent of adjusted gross income, with any excess deduction used over up to the next five years (used up to a total of six years).

EXAMPLE:

Irv and Ann G. contribute real estate valued at \$1,300,000 for which they paid \$420,000 in 1987. If they were to sell the property, they would be taxed \$132,000 on the capital gain (15% of \$880,000). By contributing the property to Wheaton College, they both avoid tax on the gain and receive an income tax deduction. In their 40 percent combined income tax bracket*, they save \$520,000 in federal and state income taxes, for a total tax savings of \$652,000. Compared to selling the property, the net cost of Irv and Ann's \$1,300,000 gift is only \$648,000.

Even if Irv and Ann intended to give the property to Wheaton through their will, by giving the property now instead they would still realize the \$520,000 in income tax savings. This means they would have over \$500,000 in tax savings to spend during their lifetimes that they would not receive if they waited until their passing to give their property.

* an assumed combined federal and state income tax rate (august 2017)

A gift of real estate during your lifetime is just one way to benefit the organization you care about. You can always give your real estate after your passing by including Wheaton as a beneficiary in your will or trust.

NEXT STEPS:

To receive further information and assistance on gifts of real estate, or to learn more about how your gift can help Wheaton College, please contact Michelle Kovach.

- call **(508) 286-3459**
- email kovach_michelle@wheatoncollege.edu

* Because everyone's situation is different, we encourage you to seek professional legal, estate planning, and financial advice before deciding on a course of action. This information does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice.