



## Retained Life Estate

For more and more seniors wishing to remain in their homes, the opportunity to set up a charitable life estate agreement is an attractive option. This is especially true in areas where the home price may have declined and real estate markets are slow.

A **charitable or retained life estate** is an agreement made through a written transfer (deed) of the remainder interest in one's personal residence, farm or ranch to the ministries and/or charities of their choice. The couple or individual retains the right to live in the home for life, with the charity receiving the property after death. The gift or the remainder interest qualifies for an income tax deduction in the year given.

A **retained life estate** is not restricted to one's primary residence. It may be established on property used as seasonal residence, or even stock owned in a cooperative housing corporation. Retain interest in farms and ranches which qualify include the home and surrounding land. The house, farm or ranch must also meet ministry acceptance guidelines as do all similar gifts.

**With a retained life estate**, by definition and agreement the donor(s) has the right to continue living in the home. Or the donor(s) has the flexibility to rent the home and receive the rental income.

**The couple or person gifting the residence (donor)** retains the responsibility of paying the maintenance, insurance and taxes. Arrangements can be agreed upon up front regarding responsibilities about leasing options, capital improvements, and risk and liability concerns—protecting both the individual(s) and the ministry.

### Retained Life Estate<sup>1</sup>

#### *Key Benefits:*

- The donor creates a legacy by helping take the gospel on film to people worldwide and accelerating the work of global church planting and discipleship.
- The donor's property avoids probate.
- The donor can receive a (partial) income tax deduction today for the gift of a home transferred after death.

#### *Constraints:*

- Should the donor decide to sell the property, he would have to get permission from the charity/charities and work together with them to negotiate the sale with a potential buyer.
- Should the donor sell, he would have to split the proceeds with the charity/charities according to their share of ownership.

*Continued on back*

<sup>1</sup> **Special Note:** The retained life estate option works best for the donor(s) who has other assets and the home, farm or ranch is not the primary source of his or her savings.

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- The agreement is irrevocable.

**In the event that the donor** cannot live out the remainder of his or her life in the residence, exit provisions are available which often are referred to as rollover options. These options could be one or more of the following:

**Joint Sale** – The donor and the ministry jointly sell the residence. The proceeds are distributed proportional to ownership, and the figure is determined by a formula based upon the donor's life expectancy.

**Gift of Life Estate** – The donor may gift his interest or right-to-life use to the ministry. This gives the donor a current-year charitable income tax deduction.<sup>2</sup>

**Remainder Unitrust** – If one desires to receive income, a gift of the retained interest can be used to fund a charitable remainder unitrust. The trust then provides income for life and a charitable tax deduction in the year the retained interest is donated.<sup>2</sup>

**Gift Annuity** – If one desires to receive fixed income, a gift of the retained interest can be used to set up a charitable gift annuity. A qualifying gift annuity can lead to a charitable deduction and partially tax-free income.<sup>2</sup>

If you wish to live in your home for the rest of your life and want to know more how a retained or charitable life estate could benefit you and advance the gospel worldwide, please contact us today.

## Help That Can Benefit You

**The JESUS Film Project**, in partnership with the Great Commission Foundation of Campus Crusade for Christ, provides a full array of gift and estate planning services without obligation. A team of experienced professionals can help you think through your best options, then come alongside your advisor(s), helping to ensure your plan achieves your family, tax avoidance and charitable goals. Please contact us today at 800-449-5454 or e-mail [info@gcfccc.org](mailto:info@gcfccc.org) to start the process.

<sup>2</sup> Consult your tax and other professional advisors.

## Definition of Key Terms

**The retained portion** – the right to live in the home for the remainder of one's life, or the right to rent it and collect rental income on the property.

**The gift portion** – Full rights of ownership to the property following the death of the individual or couple.

**The value of the gift and retained life estate** – "The value of the gift is equal to the present value of the future gift." Example: A 68-year-old couple donates the remainder interest in a \$350,000 residence. The present value of the gift is about \$325,530, discounted (3.4 percent) based upon the couple's life expectancy (18.7 years) and assuming an annual appreciation rate of 3 percent.

**The completed nature of the gift** – While the charity does not receive the property until after the death of the donor(s), an interest in the property has been gifted upon completion of the agreement. That interest creates the tax benefit.

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