



Opportunities in Real Estate

A real estate investment can mean anything from a millionaire's high risk purchase of an oil field to a young family signing the mortgage for their first home.

The term *real estate* encompasses undeveloped land, farms, commercial property developed and undeveloped, family homes, condominiums, rental property, and vacation or resort property.

For a farmer or landlord, real property is a livelihood. For the 69% of American households who own their own homes, it offers basic security and is a mainstay of the "American dream."

Investment and gift

Regardless of its form, real estate is one of the most common tax favored investments people have.

Many people don't think of real estate when they think of making a charitable gift, but real property can be an appealing gift to the Northridge Hospital Medical Center. As with most other charitable gifts, real estate gifts are tax deductible.

But that's only the icing on the cake in many cases. Through various ways of managing property and arranging for its distribution to family and others, you can minimize taxes and worries for your heirs. You may also be able to arrange a supplemental income for retirement as part of your gift or give a home while continuing to live there.

An overlooked resource

When you wish to make a sizable gift, your home or other real estate can offer unexpected possibilities. This newsletter presents ideas for gifts that feature a variety of benefits.

Selecting the Right Property for Your Gift

When considering a gift of real estate, make sure to keep the following in mind:

- The property must be readily salable.
- The appraised value of the property and the amount of the anticipated gift must match.
- Mortgaged property calls for special attention to the way in which it is given.

Read on for more information regarding this overlooked but effective method of giving.

Learning More About Gifts of Real Estate

Here are answers to commonly asked questions about making gifts of real property.

Q: Why would a person give real estate rather than cash?

A: Cash is the most common form of charitable gift. However, by giving property, a donor may receive greater tax benefits and conserve cash for other uses.

People who want to give to Northridge Hospital may find that they can sometimes make a larger gift at less after tax cost by giving real estate and other non cash property, such as stocks and mutual funds.

Real estate may also be given in creative ways that provide an income or other benefits to the giver. This, too, can help a person give more than might be possible with other assets.

Q: What types of real estate can be given?

A: Most types of marketable real property may be given. Houses, farms, vacation homes, office buildings, undeveloped land, and rental property are common choices. It is possible to give either all or a portion of the property's value.

Q: How can giving real estate help me increase the savings from my gift?

A: Let's assume you own a piece of property that has increased in value since you purchased it 10 years ago. You are considering selling it, but you would also like to make a gift of similar value to the Hospital.

By using the property to make your gift, you will generally be allowed a charitable income tax deduction for the current value, not the original purchase price. In addition, you avoid paying tax on the capital gain that would be due if you sold the property and gave the proceeds.

Note: In order to receive these benefits, you must itemize your income tax deductions, and you must have owned the property you give for more than a year. Your tax advisor can verify the current holding period before you give.

Q: What if the property has decreased in value?

A: If the property you want to give has gone down in value, it is usually better to sell it and give the cash received from the sale. That way, you may create a capital loss for income tax purposes and can still deduct your charitable gift. This may make it possible to deduct more than the current value of the property.

Q: How would I go about making the gift?

A: Giving real property is handled by deeding the property to the Foundation. Your professional advisor can help you evaluate the benefits of your gift and assist you with an appraisal and other steps. We will be happy to help you find answers you need as well.

Real estate can also be given through your will or other estate planning tools.



Through your gifts to the Foundation, the Hospital was able to purchase the Emergency Department Information System (EDIS), which was installed in summer 2007.

The EDIS enables the medical team to reduce patient processing time, electronically order and receive/read labs and x-rays, and access patients' medical records in a timely manner.

Northridge Hospital has the first "paperless ER" in the San Fernando Valley.

Add to Retirement Security

Real estate may be used to fund gift plans that generate payments each year for the rest of your life. As a supplement to retirement income, such an arrangement can be very attractive.

Also, property given to the Foundation through a life income gift plan generally does not trigger capital gains tax at the time of the gift. This can be a sizable savings if the property has risen greatly in value. Capital gains tax can be a real deterrent to a sale, thereby making a gift appealing.

Life income gift plans may take several forms, depending upon your assets and financial goals. The income you retain can be set permanently when the gift plan is arranged or can be variable, if desired.

The various plans have the following in common:

- 1. The donor transfers** real estate, stocks, cash, or other property to fund the plan.

- 2. The donor receives** a charitable tax deduction for a portion of the value of the assets transferred when the plan is created. Capital gains tax is not payable at the time of the gift.

- 3. The donor (and survivor, if desired) receives** payments annually or on another agreed upon schedule for life or, in some cases, for a specific period of time. The payment size or rate is determined when the plan is established.

- 4. Northridge Hospital Foundation receives** all assets in the plan at the death of the last recipient or whenever the plan ends.

If you have a residence, farm, vacation home, or other marketable property that is no longer needed for its original purpose, such a plan can help you “unlock” cash as you make a special gift.

Give Your Residence, Yet Continue to Live There

Tax laws provide that you can give your residence or farm and continue to live there. You are still responsible for taxes, maintenance, and other upkeep, and you may keep any income the property produces. You retain a “life estate” in the property.

A **life estate arrangement** allows you an immediate income tax deduction. Your deduction will be for the calculated value of the eventual charitable gift, taking into account the value of your right to continue

using the property. If you choose, your spouse or someone else may also have an interest in the property if he or she survives you.

Northridge Hospital Foundation receives full use of the property when the last beneficiary of the life estate arrangement dies.

Planning tip: You can also arrange for only a percentage of the value of your house or farm to be given to charity, with the rest distributed to whomever you choose.

Real Estate's Unique Values



- When you give real estate, you can receive an income tax deduction for its full current value and avoid capital gains tax on any increase in value.
- When determining the worth of property to its owner, the appraised value is only one factor to consider. Emotional and practical values also influence the decision to give.
- The property may benefit specific programs or be given in memory of a loved one.

More information is available about the exciting options real estate owners have when considering charitable gifts.

Please check with your professional advisor or call Lisa Hartsock at (818) 885-5341 ext. 4 for further assistance.

Selling Property for Mutual Benefits

An owner who wants to give real estate may understandably not wish to part with the entire value of the property. If this is the case, a **bargain sale** may be the answer.

How a bargain sale works

Mary Parker owns real estate valued at \$98,000. She wants to make a significant charitable gift and decides to use this property to do so.

Mary is looking ahead to retirement, however, and doesn't want to give the entire \$98,000. So she sells the property to the Foundation for the price she originally paid \$68,000.

Welcome benefits

She has, in effect, made a gift of the \$30,000 increase in value. That amount is deductible in the year the gift is made. If the \$30,000 exceeds what she can deduct this year, Mary can deduct the excess amount in as many as the next five years.

She will owe some capital gains tax, but not as much as if she had sold the property at full value. In addition to making her gift, she has \$68,000 in cash to invest for her retirement.

Consult your advisors

Gifts of real estate can bring benefits to both the donor and the Hospital. We will be pleased to discuss your gift plans with you and your advisors.



Northridge Hospital Foundation

A member of CHW

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Legacy Society Seminar

Capitalizing on Real Estate and Investments—And Leaving a Legacy

Discover important strategies to discuss with your financial planner when considering whether to sell residential, commercial, or rental property. This seminar will assist you to better plan for your heirs and charities by reducing the tax burden when selling property. Topics include:

- How to reduce or eliminate capital gain and estate taxes on the sale of property.
- Ways to turn investment property into an income stream for life.

Seminar Presenters:

Guy Arnone, President

Sotheby's International Realty

Jerry Citarella, RFC

Pacific Advisors

Tuesday, February 26, 2008

6:00 - 8:00 p.m.

Penthouse, 5th Floor IFL Tower

Northridge Hospital

Make your reservations for this free, timely seminar and dinner today! Please call Lisa at Northridge Hospital Foundation 818 885 5341 extension 4. Parking will be validated.

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You can provide for the future of Northridge Hospital Medical Center while you also accomplish other important personal and financial goals. We will be pleased to assist you and your advisors as you consider the charitable dimension of your long range estate plans. For more information, in confidence and with no obligation, please contact: