Consider this example:

Bob (70) and Mary (68) are selling a property worth $2 million.
- Cost basis in the property is $500,000.
- Capital gains tax (state/federal) and Medicare Investment Surtax totaling 28% or $420,000.
- They will make charitable gifts totaling $400,000 (which would reduce their tax bill by $112,000).
- $1.29 million left for current lifestyle spending, retirement income, and more.

But could they sell smarter?

**BUCKET #1**
**YOURSELF**
Bucket 1 - $700k
- Tax on $700k largely offset by tax deductions created by gifts to buckets two and three.
- Leaves $700k for current lifestyle spending, and more.

**BUCKET #2**
**CRT**
Bucket 2 - $800k
- $243k tax deduction.
- Pays no capital gains tax on sale.
- Pays lifetime income of 6.5% annually (estimated over $1.1m of income over life expectancy).
- Creates a legacy gift at the end of both lives.

**BUCKET #3**
**GIFT FUND**
Bucket 3 - $500k
- $500k tax deduction.
- Pays no capital gains tax on sale.
- Provides for current giving objectives.

**Compare the Results:**

| TRADITIONAL WAY | THE BETTER WAY
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YOURSELF</strong></td>
<td>Current - $700,000</td>
</tr>
<tr>
<td><strong>LIFETIME INCOME</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>CHARITY</strong></td>
<td>Current - $500,000, Estimated legacy gift - $690,000</td>
</tr>
<tr>
<td><strong>TAXES</strong></td>
<td>$308,000</td>
</tr>
</tbody>
</table>

*After tax deductions, save $112,000 of taxes.

How The Young Life Foundation Helped Us.

“We recently sold one of our business interests and decided to use that transaction as an opportunity to support some of the causes that we care about. By partnering with the Young Life Foundation before the sale, we were able to reduce our capital gains taxes, get a charitable tax deduction that lowered taxes on other income and give more to our charitable causes than we ever thought possible! Now we are enjoying investing some of those assets into great charitable work.

If you are contemplating the sale of a major asset, we strongly urge you to contact our friends at the Young Life Foundation before you sell.”

David and Carol Eaton

A Strategy for Selling
REAL PROPERTY AND BUSINESS INTERESTS

Give Smart
Prepared by your friends at the Young Life Foundation.

YPF: A Real-Life Example

Young Life Foundation
Jeff Rudder, Executive Director
P.O. Box 520 | Colorado Springs, CO 80901-0520
800-813-1945 | jrudder@sc.younglife.org | www.younglifefoundation.org
Many people view the sale of an asset such as real estate or a business entity as an opportunity to accomplish a variety of goals. Some of those may be:
- Pay off debt.
- Use the proceeds to invest in other ventures.
- Prepare for retirement/create an income stream.
- Take a vacation/remodel the house, and more.
- Accomplish charitable giving goals.

Yet, the manner in which major assets are typically sold often put your tax obligation as the #1 priority, limiting the dollars available for other priorities.

The following illustrates the “traditional way” that most major assets are sold:

**TRADITIONAL WAY**

**YOU SELL A PROPERTY OR BUSINESS INTEREST**

YOU PAY TAXES AS HIGH AS 34%
Depending on where you live, you could pay up to 34% with state tax, capital gains tax and Medicare Investment Surtax.

WITH THE LEFTOVERS
You might:
- re-invest
- pay off bills
- save for retirement
- give to charities

IRS IS FIRST IN LINE
There’s no choice here. The IRS is the first priority.

**HOW IT WORKS**

**STEP ONE**
Prior to entering into a sales agreement, you simply divide the ownership of your asset into three legal “buckets.”

**STEP TWO**
Once the ownership interest has been divided according to your wishes into the three buckets, you are then free to enter a sales agreement and complete your transaction.

**STEP THREE**
Upon the sale, each of the three buckets is “funded” and you are ready to begin enjoying the benefits of this structure.

Bucket #1 — **Your Wallet!** This is what you keep for yourself from the sale to re-invest, pay off debt, travel, and more. This portion of the asset is potentially subject to state and federal capital gains taxes as well as the Medicare Investment Surtax.

Bucket #2 — **A Charitable Remainder Trust.** This bucket represents the portion of the asset that you would use to create a lifetime income stream for you and your spouse. At the end of both your lives, the remainder goes to the charities of your choice. This portion of the asset avoids capital gains taxes at the sale of the asset AND creates a charitable tax deduction.

Bucket #3 — **A Donor Advised Fund**. Bucket #3 represents the part of the asset that you will use to do your near term charitable giving. It also avoids capital gains taxes AND creates a charitable tax deduction.

By utilizing this structure, you will be avoiding capital gains taxes on the part of the asset you place into buckets #2 and #3 AND you will be creating charitable tax deductions to help offset the tax on the part of the asset you keep for yourself.

The information contained herein is for explanatory purposes and is not intended to be used as tax or legal advice. The Young Life Foundation recommends that you contact a professional tax advisor who can provide you with information on how the use of techniques and ideas in this piece may apply to your personal tax situation.