



Spring 2007

# CATHEDRAL FOUNDERS' SOCIETY

## Dear Friends,

As Washington National Cathedral prepares for the 100th anniversary of the laying of the foundation stone, many festivities are being planned to mark a year-long celebration. We hope you'll join us often. While we celebrate the past vision, people, and resources that have brought us to this historic milestone, we thank you and others who are helping to make the future possible as well. Membership in the Cathedral Founders' Society ensures the ongoing financial strength of the Cathedral. Thank you for your commitment. We hope you'll find this reinvigorated newsletter a good resource as it outlines the many benefits of estate planning while highlighting friends who are investing in our ministry.

Tom and Mary Clark are among those special friends, giving generously to our music program and specifically, the Great Organ. Unfortunately, we have an organ whose heart is slowly giving out every time it's played. The Cathedral must be, above all else, a place of worship, and music is a critical dimension of that worship. To serve as a church for great national purposes and one that welcomes our weekly worshippers, we need a first-rate organ worthy of this great space. The Clarks honored the Cathedral and recognized the need for our ministry of music through one of many planned gift vehicles. We thank them and all of you who are helping to secure our valuable ministry through your estate plans. By using the attached card or calling us, let us know how Washington National Cathedral can assist you with your estate planning or what additional information about the Cathedral's organ project or other programs we can provide.



With appreciation,

Margaret Bergan Davis  
Associate Dean for  
Cathedral Advancement

## In Their Hearts, There Rings a Melody

The ministry of Washington National Cathedral first caught the eyes and interest of Drs. Thomas and Mary Clark when Tom performed a Sunday afternoon concert on the Great Organ during the Centennial National Convention of the American Psychological Association in August of 1992, after being invited by Douglas Major, then organist and choir master of the Cathedral.

This experience helped the Clarks become more aware of the importance of the National Cathedral to the country and provided them with a keen interest in



*Drs. Mary and Thomas Clark*

the ministry provided by the musicians. After much thought and prayer, they decided to leave part of their estate to the Cathedral, designating their support to the Great Organ and the Cathedral's esteemed music program.

Tom is currently interested in the new organ project, which will restore the existing instrument and address the need to expand the sound throughout the nave. He is particularly knowledgeable of the work of two of the great organ builders in the 20th century—Ernest M. Skinner and G. Donald Harrison. Mr. Skinner designed the Cathedral organ in 1938, and significant additions were made by Aeolian Skinner decades later.

Tom and Mary are co-directors of Alpha Psychological Services, P.C., in Northville, Michigan. They founded

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## Preserving Wealth by Strategic Giving

**H**ow will you transfer your assets so they are not unnecessarily consumed by taxes but instead preserved to benefit the individuals and institutions you care about?

### Protecting Your Assets from Gift and Estate Taxes

Under existing law, each person is allowed a lifetime tax credit that offsets the tax on the first portion of taxable transfers. Currently the **estate-tax** credit is \$780,800, which will offset the tax on the first \$2,000,000. The **gift-tax** credit is \$345,800, which offsets the tax on the first \$1,000,000.

The effect of this interrelated system of gift and estate taxation is that each taxable transfer—whether made during your lifetime or through your estate—may be subject to gift- and estate-tax rates.

**TAX-FREE GIVING: THE ANNUAL EXCLUSION.** You can give each child, grandchild, or other individual \$12,000 each year free of gift tax (so long as the recipient is able to make immediate use of the gift). Together, husbands and wives can give up to \$24,000 tax-free to as many persons as they desire.

If your needs to maintain your standard of living are otherwise met, it may make sense to give away certain assets—even if *their value exceeds the annual exclusion amount*.

If you give away an asset with significant potential for appreciation, you remove its current value from your estate—and you also remove any future appreciation. Remember, you will not actually have to pay any out-of-pocket transfer tax until you make more than \$1,000,000 in gifts not covered by annual exclusions. And any gift tax that you do pay will be removed from your estate, provided you live at least three years after making the gift.

**PRESERVING THE VALUE OF YOUR RESIDENCE.** Most people's homes represent a sizeable portion of their net worth, and it can be beneficial to hold on to the family home until death. It can then be passed on to a family member, who will get a stepped-up basis in the home—which means that the gain on any subsequent sale would be based on the value at the date of the original owner's death. Of course, the home's full value would be included in the owner's estate and potentially subject to tax.

Giving the property to a child during your lifetime raises several concerns. Not only could it trigger the gift tax, but the child would also take your basis in the property—probably a relatively low amount—as his or her benchmark for measuring capital gain when selling the home.

*Charitable planning pointer:* Lifetime outright gifts to the Cathedral are free from gift tax and reduce the amount of your remaining assets potentially subject to gift and estate taxes. Moreover, they generate *current* income-tax deductions that reduce your income-tax bill *this year*.

A gift of an asset that is producing little or no current income—perhaps growth stock or undeveloped real estate—generally results in a deduction equal to the full fair-market value of the asset. Better yet, you can usually avoid recognizing—and being taxed on—any of your paper gain.

An excellent way to ultimately transfer the value of a home to an intended beneficiary at significantly reduced transfer-tax cost is a *qualified personal residence trust* (QPRT).

**Here's how it works:** *Bob Miller owns a waterfront residence valued at \$1,000,000. He would like his two adult children to have the home eventually, but he is concerned about the estate-tax liability that will be incurred when the residence passes to his children.*

*Bob establishes a QPRT for a term of years, making sure that the term is somewhat shorter than his life expectancy. He will live in the home for the duration of the trust; then the property will pass to his children. At the time the trust is established, he reports a taxable gift of \$300,000, which represents the present value of the remainder interest. He has not previously used his gift-tax credit, so he does not actually pay any gift tax. At the end of the term, the property has appreciated in value to \$2,000,000. Thus, the children receive an asset worth \$2,000,000, but only \$300,000 is subject to gift tax.*

*To realize this tax benefit, Bob must survive the trust term. If he dies before the termination of the trust, the entire market value will be included in his taxable estate and he will have gained no tax benefit. He will not have lost anything, however, for the result will be the same as if he had never created the trust.*

**Charitable planning pointer:** If you don't have heirs to whom you want to give your residence, you can consider a **charitable gift with a retained life estate**. In this arrangement the title passes to the Cathedral and you live in the home for the rest of your life. You will pay no gift or estate tax and no tax on the capital gain and you will receive a significant income-tax deduction.

## Giving Away What You Don't Yet Have: Proceeds from Life Insurance

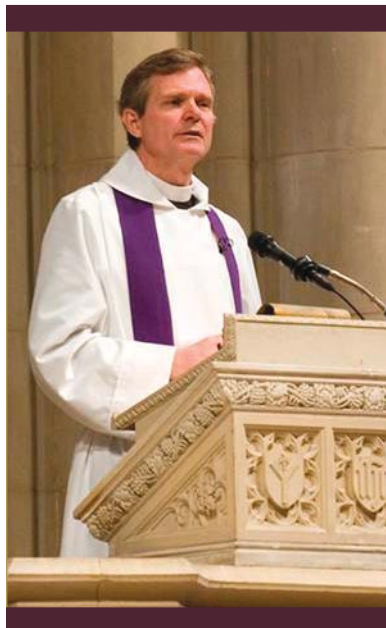
It is possible to make a **charitable gift through life insurance**, by naming Washington National Cathedral as either beneficiary or owner of a policy. In either case, proceeds paid to us are not subject to estate tax. In addition, when you assign ownership of a policy to Washington National Cathedral, you receive an income-

tax deduction for the cash value of the policy and for any premiums you subsequently pay.

**REPLACING THE VALUE OF GIFTS TO CHARITY.** Some people believe charitable giving will diminish the assets they wish to go ultimately to family members and other beneficiaries. Creative use of life insurance can replace assets transferred to charity. Consider, for example, what happens when a person in the 35% tax bracket makes a \$100,000 charitable gift to the Cathedral. The gift saves \$35,000 that would otherwise have gone to pay income tax.

This tax savings can be used to purchase life insurance. The proceeds from the policy, payable to family beneficiaries, would replace some or all of the value of assets given to us.

If you would like to know more, we would be pleased to send you a complimentary copy of our booklet, ***Transferring Assets Need Not Be Taxing***. Just complete and return the enclosed card or call our office.



### A New Century, A New Calling *The Cathedral's New Strategic Vision Articulated by Dean Lloyd*

*"I want now to invite you to engage in this vision and bring to it your own energy and ideas. Creating a Cathedral of 'living stones' worthy of the glorious limestone temple bequeathed to us by our forebears will call out the best in us all."*

The Very Rev. Samuel T. Lloyd III, Dean

**Available Online at**  
[www.nationalcathedral.org](http://www.nationalcathedral.org)

Mr.  Ms.  Miss  Mrs.  Dr.

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City, State, ZIP Code

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Comments \_\_\_\_\_  
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Please send information about including the Cathedral in my will.

I/We would like to join the Cathedral Founders' Society. Please contact me/us.

Please send a personal illustration of a gift to the Cathedral that produces income for life.

My/Our date(s) of birth:

My birth date: \_\_\_\_\_

My spouse's birth date: \_\_\_\_\_

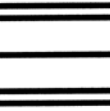
Please send me a complimentary copy of ***Transferring Assets Need Not Be Taxing.***

I/We have already included the Cathedral in my/our estate plan via

will  trust  other arrangements.

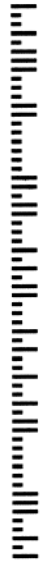
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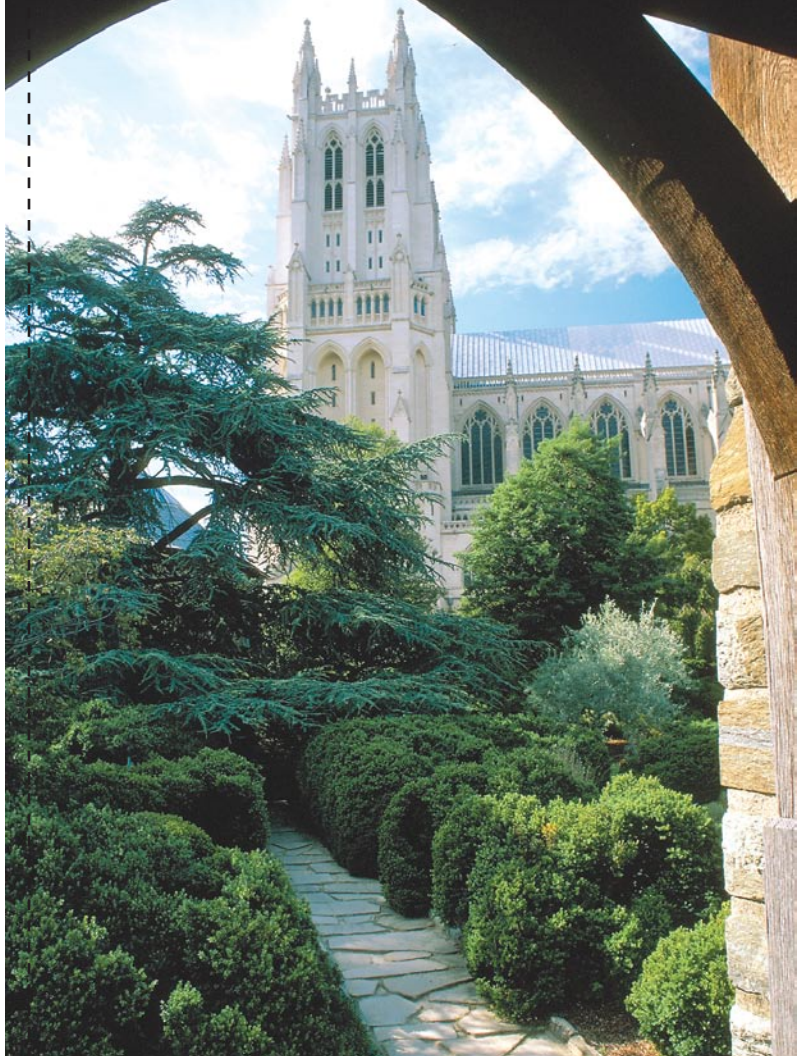
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**Clark** (continued from front cover)

their practice in 1983, with just the two of them, and now they have seven other doctors who practice with them. They have each served on the International Board of the Christian Association for Psychological Studies, and they are active at Orchard United Methodist Church, Farmington Hills, Michigan, where Tom is the organist and Mary is director of adult ministries. They have been married 35 years this year.

With the recent sale of their home in Plymouth, Michigan, they made a gift to the Great Organ in 2005, which helped in the refurbishing of its console. It was quite a thrill for them to be able to help with this project and to be a part of the exciting music ministry at the Cathedral. The Clarks believe that God has a special ministry for Washington National Cathedral and are thrilled to be part of its vision now and in the future.

## The Cathedral Founders' Society

The Cathedral Founders' Society is an honorary society that recognizes friends who have chosen to support the life and work of Washington National Cathedral through bequests, trusts, or other deferred gifts. In gratitude for their generosity, Cathedral Founders' Society members receive special recognition, including:

- a gold lapel pin in the design of the Cathedral's shield, the crossed keys and sword;
- a special event in their honor each year;
- this complimentary semiannual estate planning newsletter; and
- complimentary and confidential charitable estate planning advice from Thompson & Associates.

If you have already remembered the Cathedral in your estate plan, we invite you to notify us in writing, so that we might extend our thanks and welcome you into the Cathedral Founders' Society. You may, if you wish, become an anonymous member.

If you would like to learn more about this opportunity to support Washington National Cathedral, please return the attached reply card, contact our office at (202) 537-5792, or e-mail us at [estate@cathedral.org](mailto:estate@cathedral.org).

## Bequest Language

For purposes of designating the Cathedral in your will or trust document, please use the designation: "Protestant Episcopal Cathedral Foundation, for the benefit of Washington National Cathedral."

The Cathedral's tax ID number is 53-019-6604.



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