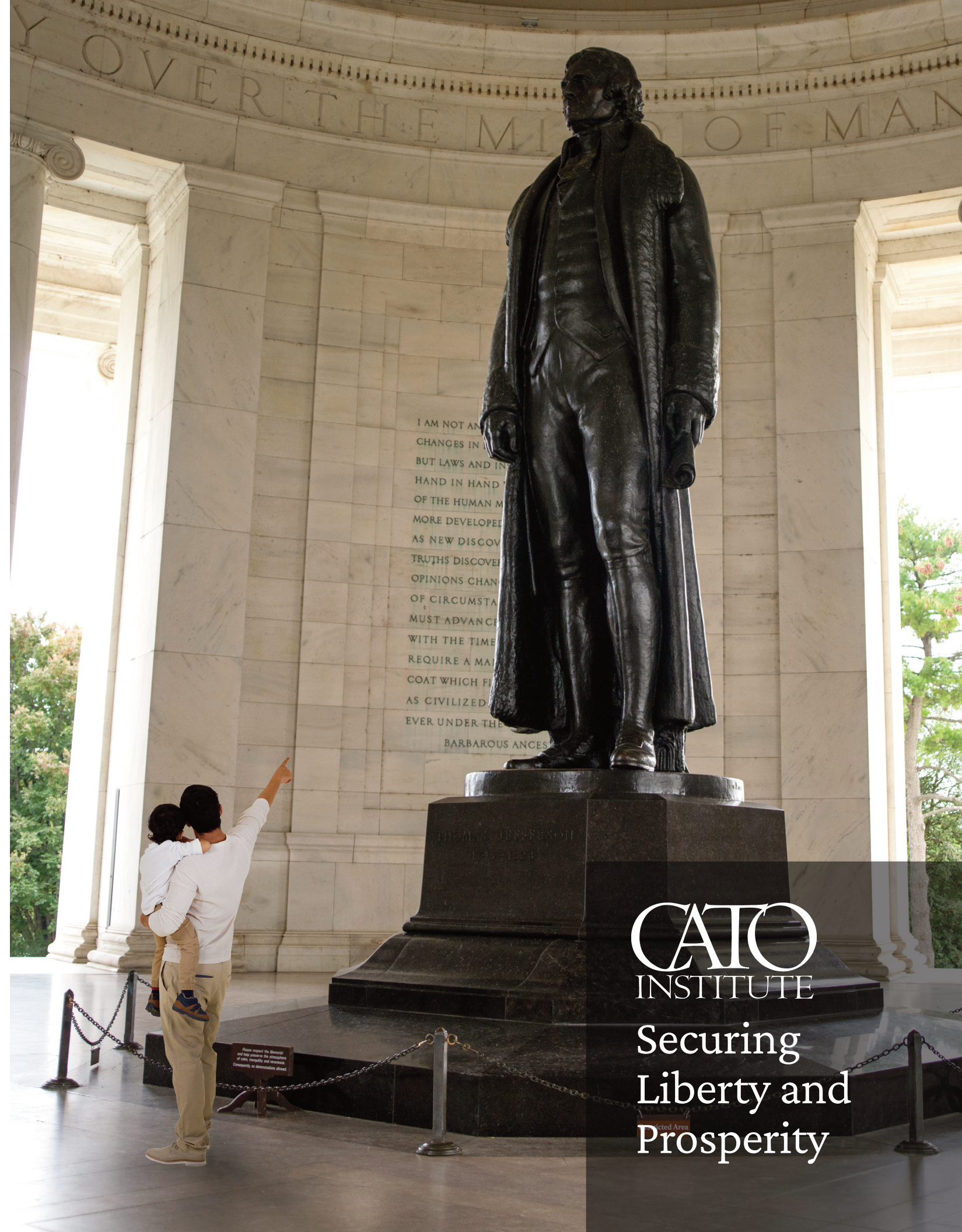


**CATO**  
INSTITUTE

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[www.cato.org/legacy](http://www.cato.org/legacy)



**CATO**  
INSTITUTE  
Securing  
Liberty and  
Prosperity

# Thank you for being our partner in the Cato Institute's efforts to defend liberty and limited government—today and for years to come.

Your interest in creating a planned gift partnership with Cato is a great honor for everyone at the Institute. As you know, the recent challenges our country has experienced affirm that liberty is the essential framework for our society and our future. The often unnecessary and unconstitutional exercise of government power reinforces Cato's purpose and mission: to defend our values from power grabs and public policy battles, while also reaching large public audiences with a compelling message.

Through their active involvement and financial contributions, the Cato community works together to ensure the Institute delivers influential research, communications, outreach, and educational programs in the fight to build a more free and prosperous society.

Cato's steadfast dedication to our mission and the ongoing battle to maintain a free society reinforces why you and I chose to become Cato Sponsors. At the Institute, we know this battle will not end overnight; together, we will never back down. And Cato has a powerful voice because the Sponsor community reflects a modern-day acknowledgment of Thomas Jefferson's admonition that "eternal vigilance is the price of liberty."

Today, it's impossible for even the most informed people to know about every effort to take away their liberties, much less do anything about it. Because the Institute specializes in protecting your liberty, hundreds of Sponsors have created planned gifts for the Institute as a means of staying "eternally vigilant." We

welcome these individuals into our Legacy Society and acknowledge their significant contributions to the fight for freedom.

Estate planning can be much more complex than including beneficiaries in your will. There are, as this booklet makes clear, numerous giving opportunities that limit government's ability to control or confiscate your assets and allow you to make an important contribution to advance your beliefs.

While we can share our experiences working with other Sponsors on their gift plans as we help you determine what best meets your priorities, the information in the following pages is not exhaustive and is not intended to replace advice from your own advisers.

No matter which approach is taken, the objective is to benefit you, your loved ones, and the values that are most important to you. The alternative is to turn your resources over to the Internal Revenue Service to be spent by politicians. You've already done more than enough of that.

Thank you again for reviewing this booklet and the various means it provides for you to leave a legacy of liberty.



  
Peter N. Goettler  
PRESIDENT and CEO

Many Cato Sponsors like you have created planned gifts using the following strategies to ensure that our shared values that have been important in your life gain prominence with students, policymakers, the judiciary, and community leaders.



**Pete Fotheringham and Carol York** near the top of the Col du Galibier in the French Alps in September 2017. They've created a major gift to Cato as a beneficiary in their estate.

For more information or to share your plans for Cato, please contact:

**Brian Mullis**  
Director of Sponsor Partnerships  
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Washington, DC 20001  
202-789-5263  
bmullis@cato.org  
Brochure also available at  
[www.cato.org/support/gift-planning](http://www.cato.org/support/gift-planning)



**Jim** and **Jane Huddle** contribute from their investment portfolio as annual Cato Sponsors and have generously named Cato as a beneficiary of one of their retirement accounts.

## Cash Gifts

### **POWERFUL. SIMPLE. EFFICIENT.**

**Jack and Tina have been making modest annual gifts to Cato for years. Last year was an excellent year financially for them: Jack received an unexpected bonus, and a big block of restricted stock vested for Tina. Jack and Tina decided to share their good fortune with Cato in the form of a large cash gift.**

The simplest and by far the most common gift strategy is an outright gift of cash, which is completed on the date delivered or mailed (or charged, in the case of gifts by credit card). You receive an immediate charitable contribution income tax deduction for the full gift value, up to 50 percent of your adjusted gross income. If a portion of your gift cannot immediately be deducted because of the adjusted gross income limitation, that “unused” portion may be carried forward and used for five years.

Beyond this limitation, there are other broad limitations on deductibility, so make sure you consult your tax adviser.

Keep in mind that many employers will match your gift dollar for dollar (or more), providing additional support for the Cato Institute. Often, these programs are also extended to retirees. Please check to see if you qualify for a matching-gift program.

## Appreciated Stock

- **AVOID CAPITAL GAINS TAX**
- **DEDUCT FAIR MARKET VALUE OF STOCK**

**Oliver, a successful investor of many years, experienced singular success with 1,000 shares of XYZ purchased in 2000 at \$10 a share that are now worth \$100 a share. If**

**Oliver were to sell the stock his gain would be \$90,000 (\$100,000 less \$10,000). Rather than pay taxes on the \$90,000 (federal plus state and local), Oliver decides to donate the shares to Cato. Oliver will be entitled to an income tax deduction for the full \$100,000 current value of the stock and will not have to pay capital gains tax.**

A contribution of securities to the Cato Institute can provide you with significant tax benefits. If stock you own has appreciated in value and you have owned the stock for more than one year, you can use the current value of the stock as your charitable deduction, up to 30 percent of your adjusted gross income. If a portion of your gift cannot immediately be deducted because of the adjusted gross income limitation, the “unused” portion may be carried forward and used for five years.

Bear in mind that, beyond this limitation, there are other broad limitations on deductibility—so make sure you consult your tax adviser. In addition, you will not be required to pay capital gains tax on the appreciation that would have been realized if you had sold the stock.

A gift of stock is easily accomplished through an electronic transfer. Simply request that your broker transfer the shares directly to Cato’s account at

**CHARLES SCHWAB & CO.  
1845 K STREET NW  
GROUND FLOOR  
WASHINGTON, DC 20006  
1-800-435-4000  
ACCOUNT NO. 2170-8366  
DTC NO. 0164, CODE 40**

Your broker should inform Cato by emailing Brian Mullis (bmullis@cato.org) when the transfer has taken place.

## Bequests

- **REMEMBER CATO IN YOUR WILL**
- **GET AN ESTATE TAX CHARITABLE DEDUCTION**

Nineteen years ago, Michael founded a software company that has become an industry leader. Although he is active with his local hospital and arts council, Cato is Michael's first love. Like other Cato Sponsors he prefers to make a major gift through his estate and creates a \$2,000,000 unrestricted bequest that allows Cato to use his funds wherever they'll be most effective. Michael is also pleased to learn that his estate will get a \$2,000,000 estate tax deduction. Another simple, commonly used method to ensure Cato's legacy is naming the Cato Institute as a beneficiary in your will. You can do this in one of three ways:

1. You can leave Cato a specific amount of cash or specific assets.

**Example:** "I give the sum of \$100,000 to the Cato Institute," or "I give 500 shares of XYZ Corporation stock to the Cato Institute."

2. You can leave Cato a fixed percentage of your estate.

**Example:** "I give 30 percent of the residue of my estate to the Cato Institute."

3. You can leave Cato all or part of the residue of the estate after bequests to other beneficiaries have been made.

**Example:** "I give the residue of my real and personal estate to the Cato Institute."

Whichever method is chosen, if properly structured your bequest will be fully deductible from your estate, thus decreasing any tax liability. The estate tax charitable deduction is unlimited. Since only large estates are subject to the estate tax, the estate tax charitable deduction may not be of use in all situations.

If you already have a will and wish to make a bequest to the Cato Institute without rewriting

the entire document, a codicil can be drawn to accomplish this.

If you have elected a living trust rather than a will, you can also easily include the Cato Institute as trust beneficiary, similar to a bequest under a will.

## Retirement Assets

- **DESIGNATE CATO THE BENEFICIARY OF RETIREMENT ASSETS: IRAS, 401(K)S, KEOGHS, 403(B)S**
- **AVOID A HEAVY TAX BITE**
- **TURN RETIREMENT ASSETS INTO EFFICIENT GIFTS**

A dual-career couple, Ralph worked as a marketing executive and Eliza as a lawyer. Always careful planners, they invested after-tax dollars into their personal portfolio and stuffed pre-tax dollars into their respective 401(k) plans. Recently retired, they rolled their 401(k) dollars into IRAs and, consequently, had to decide who should be named as the beneficiary of their IRAs. Given that IRAs—and retirement assets in general—are subject to both income and estate taxes, they were astounded to learn how big the tax bite can be.

Fortunately, with the help of a good financial adviser, they managed to craft a happy solution. Their adviser pointed out that IRA assets pass free of income and estate taxes when a charity is named as the beneficiary of an IRA. So, Ralph and Eliza decided that their personal investment portfolios should provide a sizable inheritance for their three children, whereas Cato would be the designated beneficiary of their rollover IRAs. Aware that their IRAs may be reduced by required (IRS rules) lifetime distributions, they are happy that whatever is left over can pass to Cato free of both income and estate tax.

Because retirement account assets are subject to uniquely high taxes, they become a particularly

"There is no institution that, person for person, dollar for dollar, idea for idea, has been even close to the Cato Institute in advancing fundamental principles."

—FREDERICK W. SMITH  
CHAIRMAN AND CEO, FEDEX CORPORATION;  
FORMER MEMBER OF CATO'S BOARD OF DIRECTORS





Cato's Chairman Bob Levy (foreground) addresses the media in front of the Supreme Court following his victory in *Heller v. DC*, which for the first time established that the Constitution protects an individual's right to keep and bear arms. Bob has generously created a planned gift that ensures his legacy will live on with the Institute's work.

effective vehicle for charitable giving. Making a gift is often the only way to negate what can be confiscatory taxation.

Distributions from retirement plans are subject to income taxes—and there is no way to avoid making distributions because tax laws require that distributions be made once you reach a certain age.

Furthermore, whatever is left in the account when you die, and if your beneficiary is a non-spouse, is subject to estate and generation-skipping taxes—as well as continued income taxes. In fact, combined income, estate, and generation-skipping taxes often exceed 75 percent when retirement plans are left to a nonspouse.

By designating Cato the recipient of any benefit remaining in your retirement plans, you can make a highly tax-efficient gift. Cato, as a charity, will not have to pay income taxes. Plus, your estate will get an estate tax charitable deduction if it's large enough to be subject to estate taxes.

One important reminder: retirement assets do not pass under your will. They pass via beneficiary designation forms. So having an up-to-date will is not enough. You must remember to do the extra paperwork required for retirement assets.

## Charitable Remainder Trusts

- **GIVE LOW-BASIS SECURITIES OR APPRECIATED PROPERTY**
- **GET AN INCOME TAX CHARITABLE DEDUCTION**
- **KEEP A FLOW OF INCOME**
- **AVOID CAPITAL GAINS**
- **LEAVE A LEGACY**

**Over the past 25 years, Fred and Mimi built a well-known investment boutique. Because they have no children, they are discussing the possibility of selling the firm at some point but are daunted by the slew of taxes generated by a sale. One of their financial**

**advisers suggests that they consider a uniquely attractive planning structure: namely a Charitable Remainder Trust (CRT). As their adviser explained: The basic idea behind a CRT is simple. You transfer low-cost basis assets to the CRT while reserving a flow of income for your lives. You designate a charity to receive what's left, the so-called remainder. You get an upfront income tax charitable deduction, and more importantly, when assets are sold within a CRT, capital gains taxes are not immediately payable.**

This device allows you to transfer property irrevocably to a trust, which then pays you or your designated beneficiary a set annuity or percentage of the trust assets for life or for a term of years up to 20 years. When the trust terminates, the remaining assets pass to the Cato Institute. There are two ways to structure the remainder trust.

With a unitrust, your annual payment varies each year and is determined by multiplying a fixed percentage (at least 5 percent) set at the establishment of the trust by the fair market value of the trust's assets in a given year.

With an annuity trust, your annual payment is a fixed percentage (at least 5 percent) of the initial trust principal and, thus, unlike the unitrust, does not vary from year to year with the subsequent actual value of the trust.

The charitable remainder trust allows you to make an irrevocable commitment to contribute a significant sum to assist Cato with its important work while retaining a payment stream for you or your beneficiary for a period of time or for life. You will receive a current federal income tax charitable deduction for the value of Cato's remainder interest in the trust. You can also defer or possibly avoid capital gains taxes on appreciated securities used to fund the trust, and the assets used to establish the trust reduce the size of your estate. Additionally, the trust is not taxed if it sells appreciated securities, and undistributed capital gains or earnings in the

trust accumulate tax-free. This permits a larger asset pool for reinvestment and, thus, larger payments for you or your beneficiary.

Note that certain age and minimum donation restrictions apply to this giving device.

## Charitable Lead Trusts

- **LEAVE AN UPFRONT LEGACY**
- **PROVIDE FOR YOUR FAMILY**
- **GET AN ESTATE TAX CHARITABLE DEDUCTION**

**Jack, an ardent Cato supporter, has managed a consulting firm for many years. As he begins to think about the future, he realizes that he wants to leave a meaningful legacy to Cato but also wants to ensure that his niece, Alice, is financially secure. Jack has no children but is close to Alice, a young lawyer just starting out. Jack is also worried about the impact of estate taxes. Fortunately, Jack learns of a trust that could solve his conundrum—a Charitable Lead Trust (CLT). Jack's adviser explains that CLTs are quite straightforward:**

**Your will should direct that a portion of your assets flows into a CLT. The income earned on the CLT assets will pass to charity for a term of years—say, for 5, 10, or 20 years. You get to choose how long. After that term has expired, the assets pass to family members—in your case, Alice. And your estate will get an estate tax charitable deduction equal to the value of the income stream going to charity.**

**For Jack and Alice, a CLT brings it all together—a legacy for Cato, long-term security for Alice, and an estate tax deduction.**

This device is the mirror image of a charitable remainder trust. You fund an irrevocable trust that then pays a certain percentage to the Cato Institute for a specified period of time. After that time, the principal is paid to a remainder beneficiary (typically, children, grandchildren, or other family members).

With a charitable lead trust, you can pass an income-producing and potentially appreciating asset to your heirs while also helping Cato advance civil society. The value of the assets placed in the trust is frozen for gift- and estate-tax purposes on the date of transfer. This means that any future appreciation of the assets is free of gift and estate taxes.

In addition, if the CLT is set up during your life, a charitable gift-tax deduction is earned for the actuarial value of income paid to Cato during the term of the trust. The greater the amount paid to Cato, and the longer the term, the greater the charitable gift-tax deduction. It is possible to earn a deduction equal to the value of the assets transferred to the trust, making the gift to the trust remainder beneficiaries tax-free.

Bear in mind that it is also possible for your will to set up a CLT, one that will take effect at death. In fact, this option was illustrated in the example above. In this case, the CLT may generate an estate tax charitable deduction, assuming your estate is large enough to pay estate taxes. Note that certain age and minimum donation restrictions apply to this giving device.

## Chairs and Special Gifts

Chairs and other special gifts are excellent ways to memorialize loved ones and ensure that your own personal values are advanced well into the future. Although the Cato Institute always welcomes donations to its general operating fund, you can also direct your contribution to a specific department or policy area. For example, Cato's first endowed chair, the B. Kenneth Simon Chair in Constitutional Studies, is currently held by Roger Pilon. The R. Evan Scharf Chair for the Public Understanding of Economics is currently held by Ryan Bourne. Other contributions have supported our Herbert A. Stiefel Center for Trade Policy Studies, underwritten our Global Freedom Initiative, assisted in the mass

**When Marc Biales recently approached Cato with his idea to contribute an apartment building, we were grateful for his decision to make a major gift at such an important time for our mission.**

distribution of our pocket-sized Constitution, and supported many other special projects, such as internships and Cato University scholarships.

We want to help you leave the legacy that is most meaningful to you. Please let us know if a chair, targeted endowment, or other special gift might be of interest to you.

## Annuities, Real Estate, and Personal Property

Whereas we have discussed some of the most popular ways of giving, our list is not exhaustive. Feel free to approach us if you have a gift-giving idea not discussed here. You may be interested in a charitable gift annuity as a way to make a gift and receive a deduction and guaranteed income for life.

For example, you may have a valuable stamp collection or some antique furniture. You may have a home that you would like to pass on to Cato. Or you may have a life insurance policy that is no longer needed to protect your family. If you have one of these gifts in mind, contact us so that we can structure the gift in a way that works for you and for Cato.