

THE HIKE FUND, INC.

501 (C)(3)

Hearing Impaired Kids Endowment



*The Official Philanthropic Project Supported by
Job's Daughters International*

Who are We

The HIKE Fund, Inc. (HIKE) which stands for Hearing Impaired Kids Endowment, is the Official Philanthropic Project of Job's Daughters International. (a Masonically related organization of young women between the ages of ten and twenty.) Caring people have made it possible for HIKE to provide hearing devices to children with hearing loss from birth to twenty years of age.

The HIKE Fund was founded in July of 1985 to strengthen voluntary support for children with hearing loss. Today this includes providing hearing aids and other types of hearing devices to help kids to hear at home, at school, at church and while playing sports. HIKE has helped kids in the United States of America.

Children are eligible to receive grants providing the need is verified by a prescription from an audiologist or physician, and whose parents are financially unable to meet this special need.

HIKE is administered by a Board of Directors composed of volunteer members from the fields of Audiology, Business, Education, Labor, Law and Medicine.

HOW TO GIVE

There are many ways that can ensure your name and your gift will live after you by giving to the HIKE Fund. Your gift, large or small, will meet the changing needs of our Hearing Impaired Kids Endowment Fund, Inc.

There are several ways to give wisely to the HIKE Fund. A few are listed below.

- * WILL * TRUST * ANNUITY
- * OUTRIGHT GIFT AND YEAR-END GIVING
- * LIFE INSURANCE
- * GIFT WITH LIFE TIME INTEREST
- * VIRTUAL BOOK
- * MEMORIAL GIFTS
- * STOCKS * CASH * BONDS

Only you can make the decision as to who will benefit from your years of work. Talk to your attorney, a trust officer at your bank, or a life insurance underwriter about making the foundation one of your beneficiaries. The premiums you pay may be income tax deductible as charitable contributions.

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* **Will**

A donation that is left to a charitable organization at the time of a person's death.

* **Trust**

An agreement between a donor, a charity and a trustee that places a portion of the donor's assets in trust. During the trust term, the charity receives regular income payments. When the term is ended, the assets go to the donor's designated beneficiaries.

* **Annuity**

A contract between a donor and a charity that guarantees the donor regular, partially tax free income, payments for life in exchange for the irrevocable donation of the assets.

* **Present Outright Gift and Year-End Giving**

Perhaps you want to make charitable gifts during your lifetime. By doing so, you can take maximum advantage of the charitable deduction on your income tax return. Lifetime gifts can also serve to reduce the size of your estate and allow you to see the money put to immediate use.

* **Life Insurance**

You can make HIKE the beneficiary of life insurance policies. If you do so irrevocably, your annual premiums are tax deductible. The cash surrender value of an existing policy is also tax deductible.

* **Gift with Life Time Interest**

You can provide for yourself and your survivors by making a trust now and specifying that the income goes either to you or others for a specified period, or for life, with the principal going to the HIKE Fund when you or your survivor die. In the case of a gift of a low yield, low-basis securities, such a gift could increase your income for life.

* **Virtual Book**

You can assure that your annual giving goes on forever if your estate is limited and you want to do something for HIKE. By giving an amount of your choice, an account could be established and the interest earned annually would provide for hearing aids and other hearing devices for those who need them.

* **Cash**

A cash gift can be given at any time and in any amount. It will be used to provide hearing aids and other

types of hearing implements to aid kids.

* **Memorial Gifts**

When a relative or friend dies and the family ask that you make a contribution to a charity of your choice, it is sometimes hard to decide to which charity the gift should be given. A gift to the HIKE solves the problem; the family of the person you are remembering will be informed of your gift.

* **Stocks, * Bonds**

A transfer of stocks or bonds can provide a small income from the interest earned or the profit from the sale of the stocks or bonds.

GIFTS THAT PROVIDE PAYMENTS FOR LIFE

TRUST

The Benefit of T.R.U.S.T.

Trust is a word with which everyone is familiar. Both as Masons and Parents, we also encounter the concept of trust in different ways as we progress in our Masonic Education and Family Life. The word trust also is used in conjunction with charitable giving, and, in that sense, may be somewhat unfamiliar to many of us.

Using the word trust itself as an acronym for the essential ingredients of a charitable trust may be helpful in providing a basic familiarity with the considerations involved in establishing one.

Let 's look at what the letters **T.R.U.S.T.** tell us.

“T” stands for **“Trustor,”** the person who creates the trust, here's where it all starts. Generous, thoughtful, charitably minded individuals and couples decide to use a trust to benefit themselves and others. People who include “The Hearing Impaired Kids Endowment, Inc.” (Tax I.D. No. 36-3406438) in a trust, do so because they believe in our mission and want to provide future support to those Kids who can't hear.

“R”stands for **“Recipients,”** the beneficiaries of the trustor's generosity. For each trust, there are generally two groups of recipients: income recipient(s) and remainder recipient(s). The charity can be designed to receive either income or the remainder, depending on the nature of the trust. When a trust benefits a charitable organization like the HIKE Fund, there are tax benefits for the trustor.

“U”stands for **“Understanding,”** the written documents that establish the trust. This collection of instructions and requirements abides by (and incorporates) a set of federal and state laws. It is of utmost

importance that the understandings are prepared properly, and we always encourage a trustor to seek independent counsel when establishing a trust. It's a good idea for a trustor to meet with both his/her attorney and accountant to discuss the trust and its relationship to their overall financial picture.

“S” stands for “**Substance**,” the assets placed into the trust. Notice that we don't say “money.” That's because a trustor can use various assets to fund a trust, including real estate, insurance, stocks and bonds. It's a good idea to use assets that have increased in value since you first acquired them, because you can avoid capital gains taxes. Another option is to use assets that have value but produce little or no income for you. Through the trust, these assets can be sold and turned into assets that produce higher income.

And, finally, “T” stands for “**Trustee**,” the person or organization that oversees the trust. The trustee is legally responsible for making sure that documents are prudently honored under the umbrella of all applicable state and federal laws. When choosing a trustee select a person or organization, you can trust to fulfill your wishes far into the future.

TRUSTS

CHARITABLE LEAD TRUST: This trust is an agreement between a donor, a charity and a trustee (the charity can also serve as the trustee), that places a portion of the donor's asset in trust. During the trust term, the charity receives regular income payments. When the term is ended, the assets pass to the donor's designated beneficiaries. The annual income to a charity must be made as either a fixed percentage of the fair market value of the assets as revalued each (charitable lead unitrust payment) or a fixed dollar amount (charitable lead annuity trust payment).

CHARITABLE REMAINDER TRUST: This option allows you to give an asset(s) to a trust created for HIKE. The Grantor and/or beneficiaries receive income for life; you are given a tax deduction at the time the gift is made; and under certain circumstances, income to the grantor may have favorable tax benefits. With the increased income, as a result of the gift, life insurance may be purchased to replace money to heirs. At the death of the final beneficiary, the assets are transferred to HIKE.

SHORT-TERM TRUST: You may create a trust for ten years or more (a) to pay the income to HIKE, for the term of the trust with the principle to revert back to you, or (b) to pay the income to you during the term of the trust with the principal then to pass to HIKE.

TESTAMENTARY TRUST: A trust set up in a will becomes operative upon the death of its creator. This type of trust frequently produces tax benefits for the estate and for the beneficiary (or beneficiaries).

WHAT IS A GIFT ANNUITY?

A charitable gift annuity is both a gift to the HIKE Fund and an annuity for the individual named by the donor to receive the payments. The donor will donate (sell) property to the charity in exchange for an annuity. In return, the charity pays a fixed sum annuity to the donor or another person for a specified period of time (usually life). This will generate a current income tax deduction; however, the income from the annuity is taxable.

WHAT IS A CHARITABLE ANNUITY?

This is a contract between a donor and a charity that guarantees the donor (and/or another beneficiary) regular, partially tax free fixed income payments for life in exchange for the irrevocable donation of an asset.

HOW MUCH WILL THE ANNUITANT RECEIVE?

The income the annuitant receives is based upon the amount of the gift at the time the gift is made. The income amount is guaranteed to remain the same for the life time of the endowment.

HOW DOES A GIFT ANNUITY HELP THE ANNUITANT?

The funds accepted for charitable gift annuities will, after the death of the annuitant, become substantial gifts for HIKE and will be used to provide services and hearing equipment to those we serve.

ARE THERE TAX ADVANTAGES TO THE DONOR?

YES. The donor is entitled to an immediate charitable deduction on their income tax. The percentage of the charitable gift annuities that is tax-deductible varies because it is based on the age of the annuitant, as well as on the schedule of payments. A large proportion of the income from a charitable gift annuity is tax-free. When a charitable gift annuity is funded with appreciated securities, resulting in a capital gain liability, the capital gain may be spread over the life expectancy of a donor annuitant or donor and other annuitant. (Donors may want to discuss capital gains implications with their tax adviser.)

A VEHICLE FOR GIVING.

A gift annuity makes it possible to transfer cash or marketable securities such as stocks or bonds and mutual funds to an institution you want to help. In exchange, you or someone you designate will receive annual payments for life.

ANNUITIES AND RETIREMENT PLANNING

A well-balanced commercial investment portfolio, pension plans, and commercial annuity and life insurance programs are the mainstay of most retirement plans.

If you also have giving interests, you may find a gift annuity agreement to be an attractive way to make a charitable gift while supplementing your retirement income.

As you become older, the size of the income tax deduction you receive for each gift annuity will increase yearly.

Some choose to fund a gift annuity each year as part of their long-range financial plans. Through such a program, you have the satisfaction of knowing you are making sizable charitable gifts, while building an additional source of cash during later years. As you become older, the size of the income tax deduction you receive for each new gift annuity will increase yearly.

PRUDENT GIFT PLANNING

We know that many people enjoy giving to charitable causes, but also that they must consider themselves and others in their financial planning. Through a gift annuity, you may enjoy the satisfaction of making substantial gifts while knowing that you have been prudent in planning for your future economic needs, and those of others who depend on you.

WHAT ARE THE ADVANTAGES OF A CHARITABLE GIFT ANNUITY?

An annuity with HIKE---

- Ⓒ Gives the donor the satisfaction of making a significant gift to HIKE,
- * Pays a guaranteed lifetime income,
- * Pays income which is partially tax free,
- Ⓒ Entitles the donor to a federal income tax deduction for the value of the gift,
- * May avoid estate tax and probate costs,
- * Eliminates money management worries,
- * Is theft-proof.

MAXIMIZE

THE BENEFITS OF PLANNED GIVING

With planned giving as with any charitable contribution, the desire is to leave a legacy that will have a positive, lasting impact on our organization. Like any successful endeavor in life, this requires careful analysis and forethought. The result of proper planning and advice will be a lower after-tax cost of giving and the satisfaction of knowing that your gift will truly leave a legacy. The following questions and answers are to illustrate some of the most common types of planning, charitable gifts and their basic tax advantages.

Q: I intend to make several charitable bequests in my will. But can I make other charitable gifts during my lifetime that will pay income back to me?

A: Yes, both a charitable gift annuity and a charitable remainder trust can pay you an income for a period that is based on your lifetime.

Q: What is a charitable gift annuity?

A: A charitable gift annuity is a contract between you and a charity. In return for your gift, the charity agrees to pay you a fixed amount (based on your age) for the rest of your life. At your death the assets held for the annuity transfer to the charitable beneficiaries you designated. The benefit of a charitable gift annuity is that you make a one-time gift and receive a fixed amount of income for your lifetime.

Q: What is the tax advantages of a charitable gift annuity?

A: With a gift annuity you can claim part of what you contribute to fund the annuity as a deduction. In addition, part of the income you receive each year is tax free. Additionally, if you use an appreciated asset--such as stock--to fund the annuity you also escape some of the capital gains tax that you would owe if you had sold the asset.

Q: Then, what is a charitable remainder trust?

A: A charitable remainder trust, much like a living trust, holds assets on your behalf. However, a charitable remainder trust can only be used to hold gifts that ultimately will benefit a charity. You and the trustee agree at the time the trust is established on the type of payment to you: either an annuity payment representing a fixed dollar amount or a unitrust payment representing a fixed percentage of the trust assets, which are revalued annually. At your death, the assets remaining in the trust are transferred to the charities you designated when you established the trust.

Q: What is the tax advantages of a charitable remainder trust?

A: You can claim a charitable deduction for a portion of the amount you contribute to the trust -- more specifically for the actuarial, present value of the remainder interest that ultimately will pass to charity. However, some of the income that you receive annually may be considered taxable income to you.

Q: If I use stock, will either a charitable gift annuity or a charitable remainder trust be able to increase my income?

A: Yes. You may own stock that has greatly appreciated in value, but pays only a small dividend. By donating that stock to a charity, you defer paying the capital gains tax, you realize a tax deduction equal to a portion of the value of the stock, and you could receive a much greater income than you realized from the dividends.

Q: Does the income from one of those gifts have to go to me or can someone else, like my mother, receive the income?

A: Income gifts can be very useful to provide support for a person dependent on you, such as parent or student. You receive the charitable deduction for making the gift, but the income recipient-- for instance, your mother-- declares the income for tax purposes. In all likelihood she is in a lower tax bracket, so there is less tax owed than if you received the income and used it to provide support for her.

Q: Is there any way I can pass money onto my grandchildren or a charity and save on estate and gift taxes?

A: A charitable lead trust can be used to pass on assets to others than yourself-- for example, your grandchildren or a charity. A lead trust pays an income to the charity for a set number of years or a lifetime. Then the trust terminates and the assets can go to the grandchildren or the charity. Estate and gift tax laws put limits on the amount of property that can be handled this way without incurring the generation-skipping transfer tax (GSTT). However, you can currently transfer up to \$1,010,000 free of GSTT.

Q: What is the tax advantages of a charitable lead trust?

A: Under certain circumstances, you get to claim a charitable income tax deduction for the present, actuarial value of the amount of income that is paid to charity. However, most donors use a charitable lead trust to obtain a charitable gift tax deduction and to reduce the size of the estates. After a number of years of supporting the charity, your children or grandchildren may receive a sizable gift under the trust.

Q: Is stock the only type of appreciated asset I can use to make a gift to charity?

A: No. Many charities gladly accept gifts of land, manufacturing/office buildings, apartment buildings, limited partnership interests, cars, art, boats, planes, etc. It is always best to consult with a charity early in the planning process if you wish to make a contribution of this type, and to determine if the property use is related to the mission of the charitable organization so that you may qualify for the maximum income tax advantage.

Q: What about using some of the money in my IRA or other retirement plan to make a charitable bequest? Is this a good idea?

A: Yes. The combined impact of estate and income taxes can, in some cases, take up to more than 70% of the assets in a retirement plan. However, if you fund a bequest to a charity from retirement plan assets, the full amount of the retirement plan assets can pass to the charity without estate or income taxes.

Q: Are there other types of charitable gifts I should consider?

A: Yes. It is always best to consult with your favorite charity/charities before making a planned gift. The staff of the charity will be happy to explain the various types of giving opportunities they offer their donors.

To learn more about HIKE or planned giving contact: The HIKE Fund, Inc. 10115 Cherryhill Pl., Spring Hill, FL 34608-7116, e-mail: secretary@thehikefund.org or visit our website: www.thehikefund.org.

Please ***Note:*** The information presented here is, by necessity, very brief and general. This publication is to provide information of a general character only. HIKE is not engaged in rendering legal or tax advice. Interested persons are urged to consult their own attorney or tax advisor about how the law applies in their particular situation. Watch for tax revisions. State laws govern wills, trusts, and charitable gifts.

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