



## GIFTS OF REAL ESTATE

### Benefits to You

- Depending on how long you have owned your property, and the market, real estate may be the **least expensive** way to donate and the benefits are significant in terms of deduction, avoidance of capital gains, and impact on the scholarship or program you wish to fund.
- Your estate taxes may be reduced because the property is removed from your estate.
- Your executor's job can be simplified if your property passes directly to Colorado College upon your death.

Real estate is an especially attractive way to make charitable gifts due to its abundance. Most people own real estate because its inherent value far exceeds that of any other single asset. Economists estimate that between 35 to 40 percent of an individual's wealth is in real estate, outstripping both publicly traded and closely held stock portfolios. This will pass from one generation to the next in the years before 2025.

In a recent article on personal wealth in the United States, using data drawn from Federal estate tax returns, it was noted that approximately 30 percent of the assets of individuals who have a net worth between \$1 million and \$10 million were in real estate. For estates under \$1 million, the percentage rises considerably to between 45 and 50 percent of value. These percentages peak, especially for individuals between 50 and 65, to between 30 and 40 percent in real estate assets.

### Immediate Gift of Real Estate

If you wish to make a gift today, you will receive an immediate deduction for the value of the property. Colorado College staff will work with you and your advisor to help find the best strategy to fit your goals, and to determine the necessary steps to complete the transfer of your property. Gifts of real estate can take some time to complete – contact CC early in your decision-making process.

### Additional Strategies

#### Bargain Sale

A bargain sale occurs when a donor, who intends to make a charitable gift, sells property for less than its fair market value and receives gift credit for the difference between the fair market value and sale price. The most common type of bargain sale occurs when a donor makes an actual sale of property to charity in exchange for cash or an installment note. Installment bargain sales can be utilized as an alternative to the more widely used charitable trusts or gift annuities. As the name suggests, installment bargain sales are a combination of traditional bargain sale arrangements and an installment payment schedule. They are, from a technical standpoint, the purchase by the charity of an asset for less than its fair market value, with payments made over a period of time.

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### **Charitable Remainder Trust**

Donors seeking to preserve the value of an appreciated property by avoiding capital gains and wishing to receive income, may explore the benefits of a Charitable Remainder Trust.

### **Deferred Gift of Real Estate**

Your gift to Colorado College through your will or trust is the simplest way to pass on your legacy, and CC can use the property or the proceeds from the sale – for a purpose that you designate through your gift agreement. Below are general strategies to consider beyond a bequest.

### **Beneficiary Deed**

A number of states allow one to transfer real estate by naming a beneficiary upon death, similar to naming a beneficiary on an insurance policy or retirement account.

The law is designed to provide a means of transferring title to real property on death of the owner, allowing the owner to maintain control of the property during his or her lifetime, and at the same time providing some protection for creditors of the decedent. The steps to completing the beneficiary deed may differ from state to state. Contact the Office of Gift Planning for more information.

### **Retained Life Estate**

A retained life estate can be set for a term of years specified by you, or for your lifetime, and can be made either with the entire property, or by giving Colorado College a partial interest. You may continue to live in the property for the duration of the agreed upon term, but if you decide to leave your property before the term of the gift is complete, you may rent the property to someone else, or sell it in cooperation with Colorado College. During the term of the gift you will continue to be responsible for all regular expenses of maintaining the property, including taxes and repairs.