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“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





he fact that you're reading this document means you're already a Sponsor of the Cato Institute's efforts to defend liberty and limited government. It is our hope that the programs and devices outlined here will enhance your ability to provide that support. At the Institute we have

always endeavored to treat Cato Sponsors as colleagues in the ongoing battle to maintain a free society. That is why you rarely receive requests for funding from us. We share our output with you and try to make clear what we are doing and why we are doing it. The financial support will follow if we do our job effectively.

In a sense, our relationship with Sponsors reflects a modern-day acknowledgment of Thomas Jefferson's admonition, "Eternal vigilance is the price of liberty." There was a time when such vigilance could be personally carried out and might not have required much more than a musket leaning by the front door. Today, we live in an incredibly complex world characterized by a sophisticated division of labor that makes it simply impossible for the average American to know about every effort to take away his liberties, much less do anything about it.

Support for Cato is your means of staying "eternally vigilant," because the Institute's area of specialization is protecting your liberty. And in that I believe we do as effective a job as any organization in the nation. As the *Washington Post* put it, "The Cato Institute is Washington's leading advocate for smaller government."

Estate planning, of course, can be much more complex than merely including beneficiaries in your will. There are, as this booklet makes clear, numerous opportunities to limit government's ability to control or confiscate your assets. Many estate-planning devices can provide immediate benefits to you and Cato, while others are deferred. 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.

My colleagues and I are honored to be able to work at the Cato Institute and to fight the good fight for a free and open society. We are deeply grateful both for your commitment to the ideals we share and for your generosity in helping make the work of the Institute possible. Thank you for taking the time to review this booklet and the various means it provides for you to leave a legacy of liberty—now and for generations to come.



THE CATO INSTITUTE

is pleased to offer you an overview of some popular charitable-giving devices. These devices can offer powerful tax advantages and make it easier for you to channel your wealth to family, friends, and the causes that are most important to you . . . rather than to the IRS. Keep in mind, of course, that although Cato looks forward to helping you find the best giving vehicles to suit your needs, the following descriptions are not exhaustive and are in no way intended to replace advice from your own accountant or attorney.

For more information or to initiate inclusion for the Cato Institute in your estate plans, please contact:

BRIAN MULLIS

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Brochure also available at
www.cato.org/support/gift-planning

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 (AGI). If a portion of your gift cannot immediately be deducted because of the AGI limitation, that “unused” portion may be carried forward and used for five years.

Beyond this AGI limitation, there are other broad limitations on deductability—so make sure you consult your tax advisor.

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.

“The Cato Institute is the foremost upholder of the idea of liberty in the nation that is the foremost upholder of the idea of liberty.”

—GEORGE F. WILL



Appreciated Stock

AVOID CAPITAL GAINS TAX

DEDUCT THE FAIR MARKET VALUE
OF THE STOCK

Oliver, a successful investor of many years standing, experienced singular success with 1,000 shares of XYZ purchased in 2000 at \$10 and 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 will be able to use the current value of the stock as your charitable deduction, up to 30 percent of your adjusted gross income (AGI). If a portion of your gift cannot immediately be deducted because of the AGI limitation, the “unused” portion may be carried forward and used for five years.

Bear in mind that, beyond this AGI limitation, there are other broad limitations on deductability—so make sure you consult your tax advisor.

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, N.W. GROUND FLOOR
WASHINGTON, D.C. 20006
1-800-435-4000**

**ACCOUNT NO. 2170-8366
DTC NO. 0164, CODE 40**

Your broker should inform Cato by fax 202-842-3490 or e-mail 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. The sudden loss of his wife left him thinking about the future: after making generous provisions in his will for his children, Michael decided to leave Cato an unrestricted bequest of \$2,000,000. He opted for an “unrestricted” bequest because it will permit Cato to use his bequest wherever it is most needed. 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.

Cato welcomes both unrestricted and restricted bequests: an unrestricted bequest allows Cato to determine the best use for your gift, whereas a restricted bequest lets you make the choice. For example, your restricted bequest could support the work of a particular Cato Center or program at Cato—or provide scholarships for Cato University.

If you already have a will and you wish to make a bequest to the Cato Institute without rewriting the entire document, a codicil can be drawn to accomplish this purpose.

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 SUPER 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 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 your beneficiary is a nonspouse 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 Trust

GIVE LOW-BASIS SECURITIES

GET AN INCOME TAX CHARITABLE DEDUCTION

KEEP A FLOW OF INCOME

AVOID CAPITAL GAINS

LEAVE A LEGACY

Over the last 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 future 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 over, the so-called remainder. You get an up-front 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 Trust

LEAVE AN UP-FRONT 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. Other contributions have supported our Herbert A. Stiefel Center for Trade Policy Studies, underwritten our Global Freedom Initiative, assisted in the mass 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.

OTHER WAYS TO GIVE

Whereas we have discussed some of the most popular ways of giving, our list is not exhaustive. So feel free to approach us if you have a gift-giving idea not discussed here.

For example, you may have a valuable stamp collection or some antique furniture. You may have a home which 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.

DEFENDING OUR HERITAGE OF LIBERTY

Cato speaks with a powerful voice: its principled defense of liberty makes it a rudder for all who care about freedom. We greatly appreciate your support for Cato's efforts in promoting a free society, limited government, and the rule of law.

With the hope that you will consider Cato in your plans, we encourage you to contact us to discuss the giving strategies presented here. We'd like to hear your ideas about what you want to do to help the Cato Institute achieve its mission to expand and strengthen civil society. Working together we can achieve that goal.

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"There is no disagreement that we need action by our government, a recovery plan that will help to jumpstart the economy."
— PRESIDENT-ELECT BARACK OBAMA, JANUARY 9, 2009

With all due respect Mr. President,

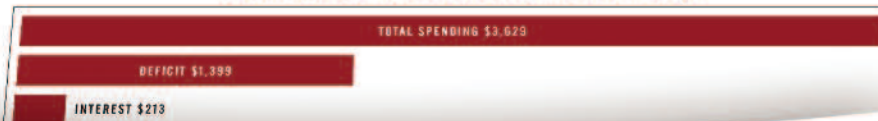
Notwithstanding reports that all economists are now Keynesians, the undersigned do not believe that more government spending by Hoover and Roosevelt did not solve Japan's experience to believe that more government spending will help focus on reforms that remove impediments to work, saving, and the burden of government are the best ways of using fiscal policy.

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This is leadership?

FEDERAL BUDGET, 2011 (\$ BILLIONS)



YOUR NEW DOCTOR?



When it comes to health care, what really matters is who decides. Under reform proposals before Congress, government would take over more and more of your health care decisions. Whatever it's called—socialized medicine... government-run health care... "a public plan"... individual & employer mandates—it's bad medicine.

In a recent national survey* 4 out of 5 Americans were concerned that government-run health care would:

- REDUCE HEALTH CARE QUALITY
- INCREASE COSTS
- LIMIT CHOICES OF DOCTORS
- INCREASE THE FEDERAL DEFICIT

There is a better, uniquely American solution: freedom. Freedom to choose your doctor and health plan. Freedom to spend your health care dollars as you choose. Freedom to make your own medical decisions. Freedom to keep a health plan you are satisfied with.

HEALTH CARE REFORM IS NEEDED. BUT A GOVERNMENT TAKEOVER IS NOT THE ANSWER.

VISIT HEALTHCARE.CATO.ORG

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*Washington Post-ABC News Poll, June 18-21, 2009.

"Few challenges facing America and the world are more urgent than combating climate change. The science is beyond debate."
NOVEMBER 19, 2008

With all due respect Mr. President,

Regarding climate change is grossly overstated. Modest and there has been no net growth and property values, there has been computer models forecasting rapid temperature your characterization of the scientific facts debate is simply incorrect.

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in press: DOI:10.1029/2008GL037022.
Updates at <http://www.cru.uea.ac.uk/cru/data/temperature>.
2005: DOI: 10.1175/BAMS-86-10-1481.
2007: DOI: 10.1002/joc.1651.