

A-7 Use of Foundation to improve your family's cash position.

You can actually improve your family's current cash position while building up the foundation. Let us say you give \$12,000/year to your foundation. Instead of cash you give \$12,000 worth of stock each year. Let us say you give stock worth \$670 per share on which you have the basis of \$50. Your deduction is figured on the value of the property given rather than on its cost to you. Figuring a taxable income of \$80,000/year, this donation cuts your income tax and increases your family's after tax cash income by \$7,960. Compare this with the \$12,000 worth of stock to an outsider, you will lose the stock entirely and improve the family cash position by \$9,275 per year. With the foundation it costs you \$1,625 out of pocket to keep the stock and its income for future use in your foundation." ---- Encyclopedia of Tax Shelter Practices - Prentice-Hall Inc. 1963.

"Tax exemption is a costly thing. It explains in part why only one-third of the income of the Nation is actually taxed." Patman Report, Page 133 (1962)

A-8 Reduce Estate Tax

"The gift to the foundation lifts a future estate State tax lien at 32% estate State tax rate. This charge will be some \$2,900 (remember the gift of \$12,000 value), so the foundation not only gives you liquidity, retains control over the stocks, preserves assets and income for future use, but it actually does more for your family's ultimate asset position than any other disposition of the stock." -- Encyclopedia of Tax Shelter Practices - Prentice-Hall, Inc. 1963

"The usual procedure then is to transfer (or arrange to transfer at death) to a foundation created for the purpose, enough of the ownership of a corporation to reduce the estate tax impact to a point where the liquid assets of the proprietor (and other means he may have devised to solve the problem) are sufficient to meet the death taxes. Such donations are usually in the form of preferred or non-voting stock. Combinations of these advantages result:

1. The family may remain in full voting control.
2. The family has a pleasant partner, managed by gentle hands.
3. The family may reap the benefit of any increase in the value of the equity.
4. If further inflation should come, it is the family which can become entitled to receive the benefit of the increase in monetary value of the company.
5. No working capital is lost by the venture; and
6. The foundation may even be used as a vehicle for the employment of associates and relatives." House Report No. 2681 - 83rd Congress, Second Session, 1954, Page 6.