



## Guidelines for making bequests to the Muhammad Subuh Foundation

Each country has its own tax laws. Estate planning is usually done with taxes in mind. Therefore the ideas and possibilities for supporting the funds of the Muhammad Subuh Foundation need to be country-specific. We will add to the list as information comes available. Keep in mind that the information provided here is not intended as tax or legal advice but rather as ideas to consider. For advice, it is best to consult a tax professional familiar with the laws of the country in which you are a resident. Please feel free to contact a Foundation trustee or national liaison for more information on the aims and purposes of the Muhammad Subuh Foundation.

Gifts of cash or most any asset can be given to existing funds of the Muhammad Subuh Foundation using the sample form found at the end of this document. (For more information on acceptable gifts to the Foundation, please refer to the [MSF Gift Acceptance Policy](#), available on the Foundation website.) These gifts, when made by a U.S. citizen, should be tax deductible as the Foundation is registered in the U.S. as a charitable foundation. Citizens of other countries should discuss their plans with a tax advisor.

### PLANNED GIVING

Planned giving refers to arranging at this time for a gift to take place in the future, usually upon one's death. The emphasis is on planning ahead, and is focused on the needs and objectives of the donor. This usually involves some estate and tax planning. It is advisable to discuss your objectives with an accountant or tax attorney who is familiar with current estate tax law applicable to your situation.

#### *How can I plan my gift?*

Under U.S. tax law there are many ways you can contribute to the growth of the Muhammad Subuh Foundation while still maintaining your financial security during your lifetime. Planned gifts may include:

- Bequests by will
- Life insurance proceeds
- Annuities
- Charitable trusts
- Cash
- Securities
- Retirement Plan Assets
- Closely Held Stock
- Real Estate
- Personal property

## ***How These Gifts Can Be Given...***

- **Helping MSF Through a Bequest in Your Will or Estate Plan**

Preparing a will ensures that the assets you have built up over the years will be distributed according to your wishes. It is a thoughtful act of planning that will make life easier for your family. By including a gift in your will or estate plan to the Muhammad Subuh Foundation, you will feel a great sense of pride knowing you are continuing to help our Subud organizations and membership to fulfill Bapak's mission.

Many people may set aside a certain dollar amount in their will for the Muhammad Subuh Foundation. Others may leave a percentage of the residue of their estate (what is left of your estate once all designated gifts have been made, and administrative expenses and taxes have been paid). Some people may donate something specific, like valuable works of art or their home. Others may leave a paid-up life insurance policy, securities (for instance, stocks or mutual funds), a retirement account or other financial asset. Although rarely a motivating factor, the tax benefits derived from these gifts are often quite substantial.

If you are interested in making a bequest - large or small - to the Muhammad Subuh Foundation in your will, the process is very straightforward. It is simply a matter of preparing a will and including something like the following phrase:

**"I give to the Muhammad Subuh Foundation \_\_\_\_% of the residue of my estate (or the sum of \$\_\_\_\_\_) for purposes stated in its charter."**

You can also help by making the Muhammad Subuh Foundation the direct or named beneficiary of your Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), individual life insurance policy, or group life insurance policy. As death benefits are paid directly to MSF as a beneficiary under the retirement plan or policy, probate taxes can be avoided and the risk of creditor claims against the estate can be minimized.

We recommend you discuss the inclusion of MSF in your will with your family, so that your intentions can be known, respected and honoured. It's a great opportunity to share with your family how much Subud means to you, and the reasons for your support.

If you have left a gift in your will or estate plan, please contact the MSF administrator, Lillian Shulman, at +1 503 744 0485 or send an e-mail to: [lillianshulman@netscape.net](mailto:lillianshulman@netscape.net)

You can also download the MSF Benefactor Commitment Card (available on the Foundation website) to send to us as notification of your intent to provide for MSF in your will. This information is very helpful to the Foundation for planning and managing purposes, and honouring you and your wishes.

- **Helping MSF through a Gift of Life Insurance**

As your needs change, new opportunities may arise. For example, you may have purchased a life insurance policy to ensure that your family will manage financially in the event of your death. But once your children leave home, your financial commitments probably decrease, along with your need for life insurance. When planning your estate keep in mind that the gift of life insurance can provide you with an excellent opportunity to make a generous contribution to the Muhammad Subuh Foundation for relatively little cost. A gift of life insurance can also offer immediate tax savings and ensure that your entire estate passes directly to your heirs and the Foundation. For example, \$20/month may ensure that Subud will someday receive \$250,000 on your behalf.

Options for making a gift of life insurance include:

**The Donation of an Existing Policy:**

You can designate the Muhammad Subuh Foundation as the owner and beneficiary of an existing policy – which you no longer need – and receive a charitable receipt for its cash surrender value. If further payments are required on the policy, you will receive a tax receipt for all payments made after the policy is assigned to the Fund.

**The Donation of a New Policy:**

You can purchase a new life insurance policy and designate the Muhammad Subuh Foundation as the owner and beneficiary. In doing so, you will receive income tax deductions for the full amount of all annual premiums paid.

**Naming the Muhammad Subuh Foundation as a Primary or Co-Beneficiary of a Policy:**

Any death benefits paid directly to the charity under the policy will entitle the donor's estate to a donation receipt. As death benefits are paid directly to the Muhammad Subuh Foundation, probate taxes can be avoided and the risk of creditor claims against the estate can be minimized.

To learn more about making a charitable gift of life insurance, please consult your insurance broker, tax or financial advisor.

- **Helping the Muhammad Subuh Foundation through a Gift of Securities**

If you have invested wisely and now own a portfolio consisting of highly appreciated stocks and mutual funds, selling these securities could subject you to significant capital gains tax (a tax on the amount the investment has increased in value). You can help Subud and reduce or eliminate the tax payable on this gain by gifting the securities directly to the Muhammad Subuh Foundation, and you will have the satisfaction of knowing you are contributing to Subud's future.

For US taxpayers, several brokerage firms, including Schwab and Fidelity, now offer an easy way to set up a Charitable Gift Trust. One donates appreciated stock to the Gift Trust and takes the tax deduction in the year donated. One can then order the funds disbursed to charities of one's choice whenever. For more information on this, see: [www.schwabcharitable.com](http://www.schwabcharitable.com) or [www.fidelity.com](http://www.fidelity.com).

Please speak with your financial advisor or accountant for the latest tax planning information and how it might effect your estate planning.

- **Pooled Income Fund.** This simple life income arrangement has many of the same compelling benefits as more complex vehicles. When you make a gift to a pooled income fund, income from your gift will be paid to you (and/or a designated family member or friend) for life. When the last life income beneficiary dies, the funds pass to the Muhammad Subuh Foundation. If your gift to the pooled income fund is in the form of appreciated securities, you may avoid the payment of a capital gains tax on the appreciation. At the same time, the income you earn on the donated assets may be substantially enhanced. In addition, you may be entitled to a charitable contribution deduction for the value of the Fund's deferred interest. Contact your lawyer, financial advisor and/or brokerage firm to assist you in creating your own pooled income fund.
- **Life Income Gifts.** Life income gifts involve an irrevocable transfer of assets to the Foundation. In return, a specified beneficiary - the donor, a spouse, children or a friend - receives a lifetime payment. Upon the death of the beneficiary, the assets pass to the Foundation. The donor receives a current income tax charitable deduction for the remainder value of the charitable gift.

Some examples of life income gifts which are available to US taxpayers and perhaps others, include:

- **Charitable Remainder Trusts.** A charitable remainder trust is an irrevocable trust that provides for a specified distribution to the donor or other individuals named by the donor for a term of years or lives. Upon termination, all remaining trust assets pass to one or more qualified charities.

A charitable remainder annuity trust pays a fixed annual amount to the income beneficiary(ies), which must be at least 5% of the fair market value of the assets initially contributed to the trust.

No additional gifts may be made to the annuity trust after its creation.

A charitable remainder unitrust pays the income beneficiary(ies) a fixed percentage (at least 5%) of the fair market value of trust assets, as valued annually. Because the value of assets will change from year to year, the unitrust payment will vary in amount each year. Additional cash contributions may be made to the trust after it is established if the trust agreement so provides.

Additional contributions in amounts greater than \$10,000 can also be made to the trust if provisions allow. Several variations of the unitrust exist providing a great deal of flexibility, including a flip unitrust which is generally used by the Foundation for charitable remainder trusts funded with real estate.

The Foundation may serve as trustee of a charitable remainder trust to which the initial contribution is at least \$100,000 and in which the Foundation is named as the sole charitable beneficiary. If the income interest is for life, the beneficiary(ies) must be at least 50 years of age and there may be no more than two beneficiaries.

- **Charitable Lead Trusts.** A charitable lead trust is a trust in which the income, or "lead" interest, is paid to the Foundation, and the "remainder" interest is given to one or more non-charitable individuals. The amount paid to the Foundation may be either a fixed sum (an "annuity trust" interest) or a percentage of the trust assets as valued each year (a "unitrust" interest). At the conclusion of the payment period, the trust assets are returned either to the donor or to someone designated by the donor.

The Foundation may serve as trustee of a charitable lead trust to which the initial contribution is at least \$100,000, and the trust term may be at the discretion of the donor, subject to the approval of the Foundation.

- **Retained Life Estate.** Donors may contribute a private residence or farm while retaining the right to live in and use the property. Among several advantages of this type of gift may be generous income tax deductions.

## **For Canadian Citizens:**

Thanks to the efforts of Lester Sutherland, MSF national liaison for Canada, and the national committee of Subud Canada, Canadian citizens may qualify for tax benefits within the limitations set forth:

### **SUBUD CANADA'S AGENCY AGREEMENT WITH MSF**

Under the Income Tax Act of Canada, a registered charity such as Subud Canada can carry on its charitable activities, both inside and outside Canada, in two ways: (1) it can make contributions to other organizations that are qualified donees; or (2) it can carry out its own charitable activities through intermediaries.

When carrying out its charitable activities OUTSIDE Canada, the registered charity must put in place a formal agreement with the intermediary (in this case the Muhammad Subuh Foundation), and must be able to show that it retains direction and control over the use of its resources.

So an agency agreement involves two parties: a registered charity, referred to in the agency agreement as the principal, and an intermediary (in this case MSF) referred to in the agency agreement as the agent.

After a number of months negotiating with Revenue Canada, which is Canada's tax body, Subud Canada was able to draw up an agency agreement with MSF that met with Revenue Canada's approval.

Under this agency agreement Subud Canada sets up a separate fund that is used specifically for the charitable work that it will carry on outside Canada through its agent, the Muhammad Subuh Foundation. Members who make a donation to this separate fund will be issued an official receipt by Subud Canada, allowing them to claim a tax credit on their income tax return equal to 16% of the first \$200 and 29% on the remaining amount of their donation.

With this incentive, Canadian Subud members will receive a significant tax benefit, making it more beneficial for them to contribute to MSF.

There is one important proviso, however: The funds sent to MSF may be used by MSF only for the following four activities:

1. The preservation, translation and dissemination of Bapak's and Ibu Rahayu's talks.
2. The construction and acquisition of Subud Houses.
3. The maintenance of the international archives.
4. The writing of the history of Subud.

There are other restrictions in this agency agreement, but they are mainly of a housekeeping nature.

A copy of this Agency Agreement is available by e-mail attachment to any national body that wishes to examine it for possible use in their country. Send your request to [lesters@telus.net](mailto:lesters@telus.net)

***Nothing written here should be construed to be tax or estate planning advice. In all cases, rely on a tax or estate planning professional to determine the best way to meet your objectives.***



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MUHAMMAD SUBUH FOUNDATION  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

**SCHEDULE A**

Items / Value