

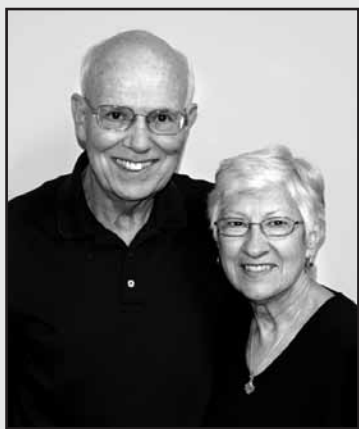
# Living Legacy

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BAPTIST  
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Fall 2011

## TOM & PEGGY PRATHER: GIFTED AND GIVING



*Tom and Peggy Prather*

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Tom and Peggy Prather met at the University of Kentucky as Baptist Student Union choir members. Both are gifted musicians, and both have continued to use their God-given gifts throughout their lives, vocationally and avocationally.

Prior to attending UK, Peggy graduated from Bethel College, Hopkinsville, Ky. with a degree in music education and a major in piano. She has taught piano, served on the music faculty at what is now Clear Creek Baptist Bible College and was the pianist at Louisville's Lyndon Baptist Church for three decades.

Tom has sung in churches and revivals and been part of various quartets and musical groups, including The Thoroughbreds, an award-winning barbershop harmony group in Louisville. He served as choir director at Clear Creek and Lyndon, and received a military commendation for starting a choir while serving in the Army in Germany.

Peggy, an only child, was born in Muhlenberg County, Ky., and moved to Hopkinsville at age 7. Both parents were educators. Tom was born in Cincinnati. His entrepreneur dad moved the family to Florence, Ky. following the 1937 flood, and Tom and his brother, Dan, were reared in Covington. His mother, "Mrs. WMU," assisted his dad in the real estate business.

At UK, Tom was in the Army ROTC and, upon graduating,

entered the armed forces. He and Peggy were married in 1955 by her Hopkinsville FBC pastor, Peyton Thurman, and spent two years in the service in Germany. They returned to UK for Tom to broaden his education and decide what he was to do with his life.

With his winsome personality, intellect, self confidence and servant leadership skills, it is not surprising that Tom spent 36 years in sales and sales management for Blue Cross Blue Shield of Kentucky and Delta Dental. Peggy was a private piano teacher and a stay-at-home mom to their three children, all of whom are married: David (Maggie) lives in Cincinnati; Mary Cox (Bill) lives in Georgia; and Shannon Wisbey (Steve) lives in Louisville. Peggy and Tom have eight grandchildren.

The early years of Tom's career were spent in Pineville, Ky, where they met Clear Creek president M.A. Aldridge and became convinced of the importance of the school's mission to provide theological preparation for adults called by God to Christian service.

In addition to Tom and Peggy's involvement in the music program at Clear Creek, Tom served on the board of trustees and, following his retirement from BCBS, served as assistant to the president for the purpose of telling the Clear Creek story and encouraging others to invest in its future. The details of their plan are found on the back page.

# GIFT PLAN ADDS TO RETIREMENT INCOME

## HOW A REMAINDER TRUST WORKS

Under the terms of a charitable remainder trust, a donor transfers assets to a trust that is managed by a trustee for the benefit of the donor or other beneficiary.

A charitable income tax deduction is allowed when the trust is created. And since the trust is tax-exempt, no capital gains tax will be payable on the sale of the assets when they are placed in the trust. Thus the full value of the assets is available to provide an income stream, usually in the 5 - 10 percent range depending on the terms of the trust.

An effective retirement plan normally makes use of a number of carefully chosen tools. Many people have found that a charitable remainder trust can be a way to help supplement retirement income while making a gift of a lifetime.

The following example illustrates how this can be possible. (See Page 3 for additional details about how such a plan might work for you.)

### Meet the Greens

Ralph and Ruth Green, 73 and 71, have discussed making a gift to Kentucky Baptist Foundation from their estates. Their immediate concern, however, is ensuring they have adequate funds for retirement.

They own securities worth \$200,000, for which they paid \$80,000 over the past 20 years. The securities now pay dividends of 1 percent, or \$2,000, per year. They would like these assets to yield more.

Instead of selling the securities and generating capital gains tax on the \$120,000 increase, the Greens decide to transfer them to a charitable remainder trust.

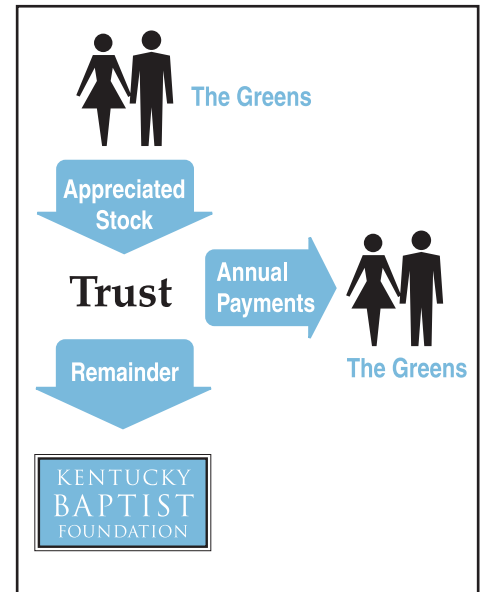
### Annual income

The trust, known as a *unitrust*, will pay an income to them of 6 percent of the value of the trust assets each year.

### Full earning power

Because the trust will not be liable for capital gains tax at the time it is created, the entire

## HOW THE GREENS' TRUST WORKS



\$200,000 will be available to earn for them. The first year they will receive \$12,000 from the trust, six times what they now earn.

### Immediate deduction

They will receive a significant tax deduction of more than \$76,000 in the year the trust is funded. The money they save in taxes could be invested or used to purchase life insurance to help replace the assets placed in the trust. (See the example on the next page.)

The Greens have thus achieved higher retirement income, enjoyed tax savings, provided management for assets and set aside a nest egg—all while arranging a charitable gift to the Kentucky Baptist Foundation.

The purpose of this publication is to provide general gift, estate, and financial planning information. It is not intended as legal, accounting, or other professional advice. For assistance in planning charitable gifts with tax and other financial implications, the services of appropriate advisors should be obtained. Consult an attorney for advice if your plans require revision of a will or other legal document. Tax deductions vary based on applicable federal discount rates, which can change on a monthly basis. Some opportunities may not be available in all states. ©MMXI RFSOCO, Inc. All Rights Reserved NXD-11

Have you thought about making a gift but hesitated because you may need to use the assets temporarily for another purpose? For instance, you may wish to provide for the educational expenses of children or grandchildren.

### *A charitable alternative*

A charitable remainder trust can be used to provide for educational expenses. Payments can be made to, or for the benefit of, a student while in school. When the education is completed, the assets in the trust become a charitable gift.

### *One family's example*

Philip and Rebecca Moore, 45 and 47, want to help their niece with education expenses. They would like to provide \$10,000 per year to her for six years.

They would also like to make a charitable gift to the Kentucky Baptist Foundation in memory of Mrs. Moore's mother. Here's an effective way to reach both goals:

1. The Moores may place \$100,000 worth of appreciated, low-yielding assets in a charitable remainder trust.

2. The trust (specifically, an *annuity trust*) will make a fixed payment of about \$10,000 per year to their niece for six years.

3. If the trust then earns 7 percent and makes the remainder of the payments from principal, approximately \$75,000 will remain in the trust to fund the Moores' charitable gift to the Kentucky Baptist Foundation at the end of the six-year period.

The Moores will be entitled to a charitable deduction of about \$45,000 in the year they create the trust.

The charitable trust can sell and reinvest the entire net proceeds of the sale of the Moores' assets, thereby avoiding capital gains tax at the time the trust is created.

### *Benefit for niece*

At their deaths, the Moores had planned to leave a bequest to their niece. Now they may be able to use the tax savings from the educational trust charitable deduction to purchase life insurance that provides a larger inheritance than they had anticipated.

### *To summarize*

Through careful planning, the Moores have:

- Provided some \$60,000 toward education expenses.
- Made a gift to the Kentucky Baptist Foundation of about \$75,000 in memory of Mrs. Moore's mother.
- And finally, through the use of insurance funded with tax benefits, they have been able to assure that their niece will receive a larger inheritance than they had planned.

## TRUST PAYS TUITION COSTS, REPLACES WEALTH

*You can achieve a number of goals with this gift plan.*

## CARING FOR OLDER RELATIVES

Many people who are preparing for their own retirement are also financially assisting parents or other relatives. Such expenses are typically provided from after-tax dollars and can even be subject to gift taxes if they exceed certain amounts.

In this case, charitable trusts can offer a welcome solution. You can transfer assets to a charitable remainder trust that will pay a fixed or variable income to one or more older relatives or friends for the remainder of their lifetimes.

A charitable income tax deduction is allowed based on the life expectancy of the income recipient. The older the income beneficiary(ies), the greater your tax savings.

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What a privilege and a pleasure it is to share the story of Tom and Peggy Prather's involvement with the KBF in facilitating their legacy giving stewardship. If there were ever a couple who understood what Jesus meant when he taught "it is more blessed to give than to receive," or what William James meant when he observed "the great use of life is to spend it for something that will outlast it," this is the couple!

The Prathers have the distinction of establishing the first donor advised fund (DAF) with the KBF in 1993. They were seeking a way to make a charitable gift as a result of a larger than normal business transaction, but defer and spread the distributions to their various charitable interests over a number of years in the future. The DAF was the solution.

In addition to the Clear Creek mission, Tom and Peggy were inspired also by international missionary Jim McKinley to become much more involved in meeting the human need of hunger around the world. With the conviction to make a lasting difference in advancing the Kingdom through these two ministries and their church, Tom and Peggy made a legacy gift and chose the KBF as the fiduciary.

Tom and his brother, Dan, each owned an undivided one-half interest in some commercial real estate in the northern Kentucky area, which they transferred to two separate Charitable Remainder Unitrusts (CRUTs). Following the sale of the real estate in the trusts, Tom and Dan resigned as trustees and the KBF became the successor trustee of each CRUT. Tom and Peggy's CRUT provides an income stream to them for life with the remainder at the death of the survivor to benefit Clear Creek Baptist Bible College, Lyndon Baptist Church where they have been active members since 1975 and the SBC World Hunger Fund.

Finally, Tom and Peggy have received through the years the benefit of private estate stewardship consultation sessions with Laurie Valentine to whom they give the highest marks. Tom said, "Never in our wildest dreams could we have operated our own family foundation; the KBF made our estate stewardship and legacy giving possible." Tom and Peggy's gifted and giving legacy to advance the Kingdom is an example for all to emulate.

A handwritten signature in black ink, appearing to read "Barry G. Allen".