HOW TO DONATE TO THE DELMARVA DISCOVERY MUSEUM

OVERVIEW

Donations to the Delmarva Discovery Museum ("the Museum") are tax-deductible to the fullest extent permitted by law because the Museum is a charitable/educational organization.

Donations may be made immediately or in the future:

Immediate:

- Donations of Cash or Other Liquid Assets
- Donations from Individual Retirement Accounts (IRAs) – Qualified Charitable Distributions
- Donations from Donor Advised Funds

Future:

- Retirement Accounts - Beneficiary Designations
- Life Insurance Policies and Annuities – Beneficiary Designations and Ownership Transfers
- Bequests in Wills or Trusts

Each of these approaches will be addressed below. Each may present opportunities to boost the value of your charitable giving by reducing your income and/or estate taxes. The information here does not constitute financial or legal advice. For that, you should always consult with your legal, tax, and investment advisors.

Donating to the Museum will build and maintain a special place for our children and grandchildren.

Your donation may be restricted or unrestricted. The Museum can use restricted donations only for the purposes that you designate, such as enrichment programs, subsidized admissions, or an endowment. The Museum can use unrestricted donations however it chooses, such as meeting current or future operating expenses, enhancing its exhibits, maintaining the premises, or confronting unforeseen needs.

DONATIONS OF CASH OR OTHER ASSETS

Donations of cash are always welcome, and they are tax-deductible to the extent permitted by law. The Museum also welcomes donations of any liquid assets, such as stocks, bonds, mutual funds, and investment accounts. Such donations may be especially suitable when the investment has appreciated in value because your tax deduction will be based the value of the investment at the time of your donation (not the amount that you invested).

DONATIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS (IRAs) – QUALIFIED CHARITABLE DISTRIBUTIONS

Many people have a large portion of their lifetime savings lodged in tax-qualified retirement accounts such as IRAs, 401(k)s, and 403 designated accounts. Generally, those funds have been deposited with pre-tax dollars (except for a Roth IRA) and are available for withdrawal upon retirement after the age of 59½. Those withdrawals are taxed as ordinary income when received.

If you donate those withdrawn funds to a charity, you might not be able to deduct all the donation from your taxable income because of various restrictions; in that event, your donation is made with after-tax dollars. But under certain circumstances you can assure that your donation is made entirely with pre-tax dollars with respect to distributions from an IRA.

How? If you more than 70 ½ years old, tax laws allow you to donate to your favorite charity, such as the Museum, with pre-tax dollars. You can do that by having all or part of your IRA distribution paid to the charity rather than to you; this is called a Qualified Charitable Distribution. By instructing your account manager to have the distribution check payable to a charity, the donation will not be included in your taxable income - you will not be taxed on the funds that go to the charity, and the full amount will benefit the charity. For example, you can instruct your account manager to donate all or part of your annual RMD directly to: *"The Delmarva Discovery Museum, 2 Market Street, Pocomoke City, Maryland 21851."*

DONATIONS FROM DONOR ADVISED FUNDS

Contributing to a charity like the Museum is its own reward. Multiplying the value of the donation sweetens the reward. You can do that with a Donor Advised Fund (DAF).

A DAF is itself a charity to which you contribute funds, stocks, or other investments that are managed by the institution providing the service. You then "advise" and direct contributions from the fund to whatever charities you designate.

Here is how a DAF can leverage the value of your donations:

● The contribution to your DAF is tax deductible like any other charitable contribution, equal to the full market value of what you contribute.

● You can donate appreciated investments into your DAF, such as stocks or mutual funds. Normally you would pay a capital gains tax if you sold the asset; but when you contribute it to a DAF, no tax is owed.

● Any earnings on the investments in your DAF are not taxable to you, and the fund may grow in value until you decide to donate to a charity of your choosing.

Donation to a DAF is a completed transfer, and the funds are no longer available for your use. The delivery of funds to particular charities is delayed until you direct the managing institution to make the donation. Assets in your DAF are not part of your estate. You can designate how the remainder of your DAF will be donated upon your death.

DAFs are offered by many financial institutions, such as Vanguard, Schwab, and Fidelity. Here are some resources for additional information on DAFs:

https://www.investopedia.com/articles/managing-wealth/080216/donoradvised-funds-benefits-and-drawbacks.asp

https://columbusfoundation.org/charitable-insights/10-benefits-of-giving-through-a-donor-advised-fund

RETIREMENT ACCOUNTS - BENEFICIARY DESIGNATIONS

It is very important to make beneficiary designations for your retirement accounts. If you fail to do so, any leftover funds will be transferred to your estate where they will be taxed as income to the estate before being distributed under your will. The rate of taxation on estate income is very high – for most estates, it will be 37% at this writing. (Note: The large exemption for "estate taxes" does not figure in this calculation.)

You can avoid that consequence by making a beneficiary designation in advance for each retirement account. When you do that, the leftover funds are transferred directly to the beneficiaries that you designate. It is easy to make beneficiary designations by visiting your financial institutions' websites or by calling them.

Such designations are quite flexible. You can list one beneficiary or numerous beneficiaries, each to receive a fixed dollar amount or a percentage of the funds. You can designate a primary beneficiary (say a spouse) and contingent beneficiaries (such as children and grandchildren) if the primary beneficiary predeceases you. The money that your beneficiaries receive will be taxed as income to them at their own tax rates.

Notably, you can designate a charity as the primary and/or contingent beneficiary of all or part of any retirement account. Of course, the charity will not be taxed on the money it receives. This provides a tax-efficient way for you to support charitable institutions that were important to you during your life.

You should periodically contact the investment institutions holding your retirement accounts to assure that the beneficiary designations on file are accurate and up to date.

LIFE INSURANCE POLICIES AND ANNUITIES – BENEFICIARY DESIGNATIONS AND OWNERSHIP TRANSFERS

Another common way to donate to a charity is to designate the charity as the beneficiary of all or part of the proceeds of a life insurance policy or an annuity. Also, you can transfer ownership of such a policy to a charity. You can obtain the necessary forms for beneficiary designation or ownership transfer from the insurance company or your insurance agent.

For example, if you wanted to donate all or part of the proceeds of a life insurance policy or annual to the Museum, you could designate the Museum as a beneficiary as follows: *"The Delmarva Discovery Museum, 2 Market Street, Pocomoke City, Maryland 21851."*

BEQUESTS BY WILL OR TRUST

It is easy to make a bequest to the Museum in your will or trust. By doing so, you make supporting it and its mission and values part of your enduring legacy. Restricted bequests or trust provisions underwrite the Museum's activities in areas of greatest interest to you (e.g., enrichment programs or enhanced exhibits). Unrestricted bequests or trust provisions permit the Museum to use your donation wherever it is needed most.

A bequest may be a fixed dollar amount or a percentage of your residuary estate (as illustrated below) or some combination of the two. And a bequest may be from the assets of your estate under your will or from the assets in a trust created during your life (inter vivos) or as part of your will (testamentary).

The following is sample language—as a starting point—to provide to your legal advisor working on your will and/or trust.

Suggested language for making an unrestricted gift by will or trust:

"I [Name] hereby give, devise, and bequeath [the sum of $(dollar amount)] [(percentage)% of my residuary estate] to "The Delmarva Discovery Museum, 2 Market Street, Pocomoke City, Maryland 21851, for its general use and purposes."

Suggested language for making a restricted gift by will or trust for a specific purpose:

"I [Name] hereby give, devise, and bequeath [the sum of $(dollar amount)] [(percentage)% of my residuary estate] to "The Delmarva Discovery Museum, 2 Market Street, Pocomoke City, Maryland 2185, to be used by it in support of [state the purpose of the gift]."

ADVICE AND ASSISTANCE

The Delmarva Discovery Museum is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

The Museum's Executive Director and President are available to provide further information and to answer your questions.

If you are considering making a restricted donation – whether by beneficiary designation, will or trust, or otherwise – we suggest that you consult with the Museum's Executive Director and/or the Museum's leadership to assure alignment of your goals and interests with those of the Museum.

The information set forth here is meant to provide an overview of a complicated subject – the many ways that you can donate to a charity. It does NOT constitute legal, financial, tax, or investment advice of any kind. We strongly suggest that you consult with your professional advisors, such as lawyers, tax advisors, financial planners, and investment advisors, to determine what is best for you.