

## Kadlec Pooled Income Funds (K-LIFE)

The Kadlec Pooled Income Funds [K-LIFE] exist for the benefit of donors who would like the tax saving benefits of a charitable trust, but also hope to minimize investment risk and overhead costs by pooling assets together with other investors. These objectives are accomplished very well by the K-LIFE Trust. Besides cash, it is possible to transfer appreciated stock or other capital assets to the K-LIFE Trust and save all long-term capital gains taxes. Very often, the property transferred to the fund has a low yield. In addition to an attractive and growing lifetime income, donors receive a generous charitable income tax deduction in the year of the gift.

### **Major Benefits**

A pooled income fund is comprised of many donors. Upon the transfer of cash or appreciated assets to this pooled fund, donor enjoys three major benefits: (i) bypass of all Capital Gains Taxes, (ii) Increased Lifetime Income and (iii) a partial Income Tax Deduction. All appreciated assets transferred to the fund are sold, and the proceeds along with other cash contributions are added together and reinvested. This permits a pooled portfolio of investments to be acquired and allows all participants to receive their fair share of the investment earnings. After the net investment earnings have been distributed for the lives of the donor or donors, the principal is then transferred to the Kadlec Regional Medical Center. This transfer may provide an additional savings of both probate costs and estate taxes.

### **Benefits of the Kadlec Pooled Income Fund (K-LIFE)**

A donation to the K-LIFE Trust will offer the following advantages to donors who are looking for tax benefits and lifetime income:

- **A substantial charitable tax deduction is realized**, allowing deductions of up to 50% of Adjusted Gross Income per year for cash donation (30% for donations of appreciated property) under either under regular income tax or alternative minimum tax--any unused charitable tax deduction can be carried forward for up to five future years.
- In addition to cash, appreciated securities or real estate (no mortgage on the property) can be donated and **all capital gains taxes and/or depreciation recaptures otherwise incurred in a sale may be avoided.**
- The K-LIFE invests in a medical building, which is leased to Kadlec Regional Medical Center on a long-term basis. Kadlec enjoys an investment grade credit rating from several bond investment rating agencies..
- All net rental income realized by the K-LIFE Trust is passed through to donor beneficiaries as passive rental income. A portion of the depreciation on buildings owned by the K-LIFE Trust is also passed through to income beneficiaries, which serves to shelter part of the K-LIFE Trust income distributed from taxes.
- If the donors have other passive losses from real estate investments, these losses can be used to shelter additional K-LIFE Trust income from taxes.
- **The K-LIFE Trust net income passed through to donors in the first year is targeted to be an annualized amount of 6.0% of the amount contributed, with a CPI inflator beginning in 2016 (capped at 1.5% per year).**
- A real estate investment pool may constitute a tax shelter under IRS regulations. Kadlec has obtained a private letter ruling for the K-LIFE Trust from the Internal Revenue Service so that this is not an issue, and taxpayers and their professional advisors may rely on the provisions of this private letter ruling.