

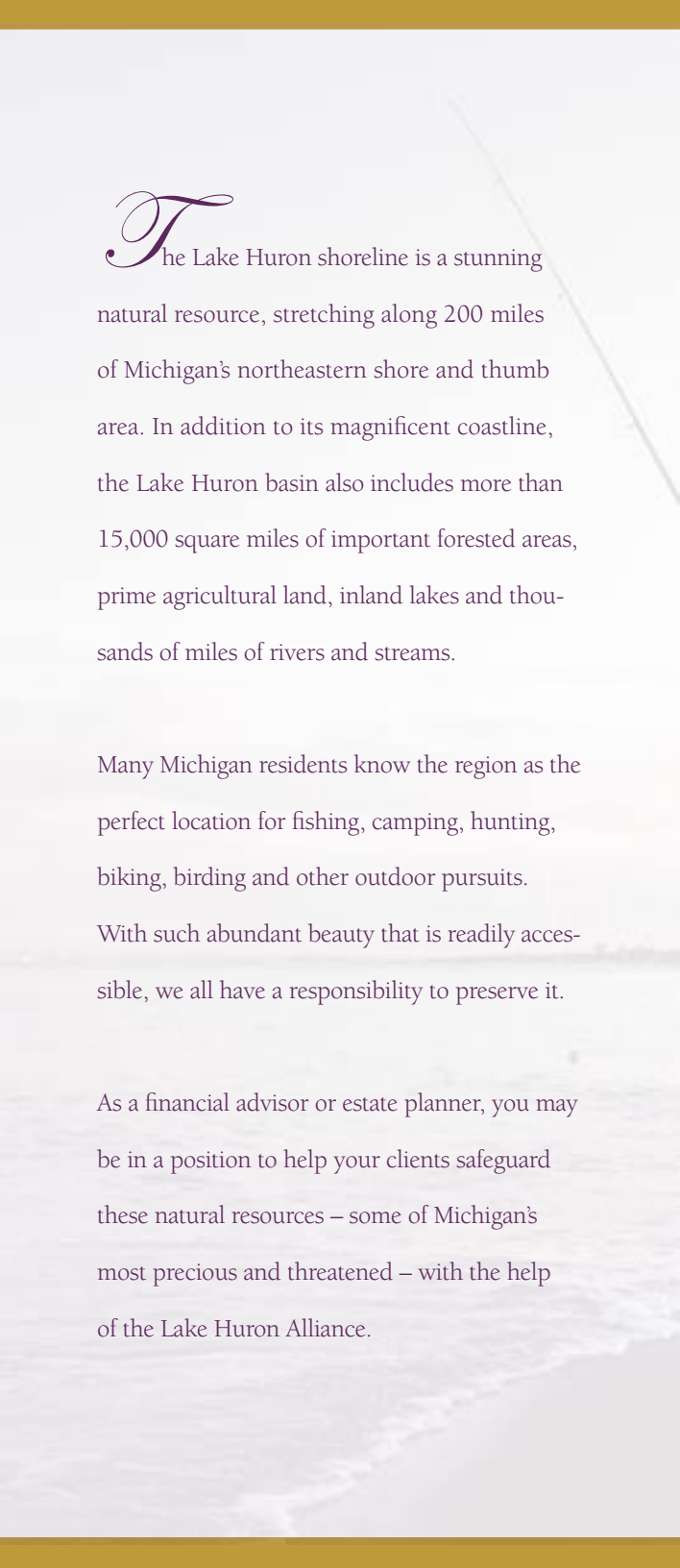
AN ADVISOR'S GUIDE TO:

LAND
CONSERVATION
STRATEGIES
AND FINANCIAL
PLANNING
IN THE
LAKE HURON
BASIN



PRESENTED BY THE

Lake Huron Alliance



The Lake Huron shoreline is a stunning natural resource, stretching along 200 miles of Michigan's northeastern shore and thumb area. In addition to its magnificent coastline, the Lake Huron basin also includes more than 15,000 square miles of important forested areas, prime agricultural land, inland lakes and thousands of miles of rivers and streams.

Many Michigan residents know the region as the perfect location for fishing, camping, hunting, biking, birding and other outdoor pursuits.

With such abundant beauty that is readily accessible, we all have a responsibility to preserve it.

As a financial advisor or estate planner, you may be in a position to help your clients safeguard these natural resources – some of Michigan's most precious and threatened – with the help of the Lake Huron Alliance.

What is the Lake Huron Alliance?

The Lake Huron Alliance is a partnership of land conservancies in Michigan's Lake Huron basin, working together to promote conservation of the region's natural resources, shoreline, open spaces and forests.

Land conservancies are private, non-governmental organizations that work with individuals, families, communities and other organizations to strengthen the public's knowledge of land conservation and protect land with significant natural, aesthetic and/or historic resources. Conservancies help to protect farms and working landscapes, forests, peaceful views, open spaces and other properties that are important to wildlife, our communities and our quality of life. Through the use of conservation easements, land donations and purchase of land, Alliance members ensure that our important resources remain protected – forever.

The Alliance is made up of these organizations:

- Chippewa Watershed Conservancy
- The Conservation Fund
- Headwaters Land Conservancy
- Little Forks Conservancy
- Michigan Karst Conservancy
- The Nature Conservancy
- Oakland Land Conservancy
- Saginaw Basin Land Conservancy

The Role of Financial and Estate Planning

One aspect of financial and estate planning that is gaining great interest is land conservation, a viable option available to Michigan residents who want to see their property preserved for future generations. Lake Huron Alliance members can provide the expertise and planning aids you need to assist your clients with land conservation options.

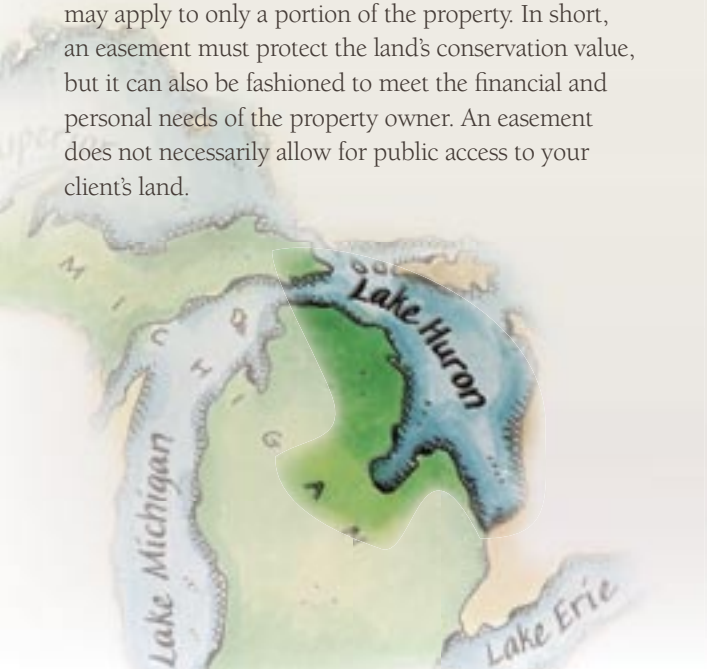
Land conservation can take many forms. Some of the most common are:

Conservation Easements

A conservation easement is a legal agreement between a property owner and a land conservancy, which permanently limits use of the land to protect its conservation value. It allows property owners to continue to own and use the land, to sell it, or to pass it on to heirs.

By donating a conservation easement to a land conservancy, the property owner permanently conveys some of the rights associated with the land, while still allowing other uses. For example, the right to develop may be restricted, but the land may still be used for farming or recreation. Future owners are bound by the easement's terms, and the land conservancy is responsible for ensuring that the easement's terms are monitored and followed.

Conservation easements are flexible, providing for many different types of land protection. An easement can be structured to allow for appropriate development and can even permit some commercial use. An easement may apply to only a portion of the property. In short, an easement must protect the land's conservation value, but it can also be fashioned to meet the financial and personal needs of the property owner. An easement does not necessarily allow for public access to your client's land.



A conservation easement donation that meets federal tax code requirements – because it provides public benefit by permanently protecting important conservation resources – may qualify as a tax-deductible charitable donation. The value of the donation is the difference between the land's value with the easement, and its value without the easement. Easements may also result in property tax savings.

Most importantly, a conservation easement provides a means for passing land on to the next generation. By removing the land's development potential, the easement lowers its market value as well as estate tax value. Whether the easement is donated during life or by will, it can make a critical difference in the heirs' ability to keep the land intact.

Land Donation

Donating land for conservation purposes is one of the best legacies a person can leave for future generations. In the Lake Huron basin, this is particularly true and property owners in this region can help preserve a vital part of Michigan's natural resources for many generations to come.

Land donation may be the best conservation strategy for landowners who:

- do not wish to pass the land on to heirs
- own property that they no longer use
- own highly appreciated property
- have substantial real estate holdings and wish to reduce estate tax burdens
- want to be relieved of the responsibility of managing and caring for land
- desire to create a nature preserve for the community to enjoy

An outright donation of land to a conservancy can provide substantial income tax deductions, as well as estate tax and capital gain tax benefits.



Remainder Interest

Another option for landowners is to donate a remainder interest. This allows the owner to donate property while retaining a life estate that allows anyone stipulated by the owner to continue to live on and use the property for a defined period of time. When those specified in the reserved life estate are deceased or release their life interest, the conservancy will have full title and control over the property.

Donating a remainder interest may provide income tax benefits, with the deduction based on the fair market value of the donated property, less the expected value of the reserved life estate.

Charitable Gift Annuity

For landowners who would like to protect their land by donating it to a conservancy – and who also need to receive income during their lifetime – a charitable gift annuity may be the right option. With a charitable gift annuity, the landowner agrees to transfer certain property to a charity, and the charity agrees to make regular annuity payments to one or two beneficiaries for life.

A charitable gift annuity usually qualifies for a charitable income tax deduction at the time of the gift, based on the value of the land less the expected value of the annuity payments.

Charitable Remainder Unitrust

Landowners may also donate property and receive regular income with a charitable remainder unitrust. This tool allows the landowner to place the property in a trust. A conservation easement may be placed on it first, if it is to be protected. Then, the trustee sells the land and invests the net proceeds from the sale. One or more beneficiaries may be specified to receive payments each year for a fixed term or for life. Thereafter, the trustee turns the remaining funds in the trust over to the land trust.

This gift qualifies for a charitable income tax deduction when the land is put in the trust, on the value of the land less the expected value of the payments. Charitable gift annuities and charitable remainder unitrusts are most useful for highly appreciated land, since the sale of these properties would incur high capital gains taxes.

Bargain Sale of Land

Another option for landowners who would like to donate property to a conservancy while realizing some immediate income from the land is called a bargain sale of land. In this arrangement, the property owner sells the land to a conservancy for less than its fair market value. This makes the land more affordable for the conservancy, while also providing some revenue to the property owner. In addition, a bargain sale of land entitles the property owner to a charitable income tax deduction based on the difference between the land's fair market value and its sale price.

Your Clients Can Conserve Their Land

For more information on how you can help your clients conserve their precious land from future development, contact the Lake Huron Alliance at 989-892-9171 or www.lakehuronalliance.org.



Lake Huron Alliance

Great Lake, Great Land!

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