

# RETAINED LIFE ESTATES: A CREATIVE WAY TO GIVE AND CONTINUE LIVING IN YOUR HOME

## A GIFT THAT BENEFITS BOTH THE DONOR AND THE CHARITY

A Retained Life Estate (RLE) is one of the most creative and mutually beneficial ways to make a charitable gift. It allows a donor to make a significant future gift to a charity while continuing to enjoy the use of a personal residence or farm for life. In essence, it's a way to give away your home without moving out.

Under a retained life estate agreement, a donor deeds ownership of a property to a qualified charity but reserves the right to live in, use, or even rent the property for the rest of their lifetime. Upon the donor's death (or the death of both spouses, if the gift is structured jointly), the charity takes full possession of the property and can sell it or use it to further its mission.

This form of planned giving blends immediacy with longevity: the donor secures an income tax deduction now, and the charity receives a valuable asset later.

## HOW A RETAINED LIFE ESTATE WORKS

Here's how the process generally unfolds:

1. **The Property Transfer** - The donor executes a deed transferring ownership of their personal residence, vacation home, or farm to the charity. The deed expressly reserves a "life estate" for the donor, giving them legal rights to occupy and use the property for life.
2. **The Retained Rights** - The donor continues to live in the property exactly as before—responsible for maintenance, property taxes, and insurance.

3. **The Charitable Remainder** - Upon the death of the donor (or surviving life tenant), the charity receives full ownership of the property. The charity can then sell it, lease it, or otherwise put the proceeds to work in advancing its ministry.

4. **The Immediate Tax Deduction** - Because the transfer represents a present gift of a future interest, the donor is entitled to a charitable income tax deduction in the year of the transfer. The deduction amount is determined by an IRS-approved calculation based on the property's fair market value, the age of the life tenant(s), and the applicable federal interest rate.

## EXAMPLE: A GIFT THAT LASTS BEYOND A LIFETIME

Imagine John and Mary, both in their seventies, own a home valued at \$600,000. They love their church and want to leave a lasting legacy but also wish to remain in their home for life.

By deeding their home to their church while retaining a life estate, they:

- Continue living there for the rest of their lives;
- Receive an immediate charitable deduction—perhaps worth \$250,000 or more depending on IRS calculations;
- Know that, upon their passing, the full property value will support ministry and missions.

Their gift becomes a powerful testimony of stewardship, combining generosity, practicality, and foresight.

## KEY BENEFITS FOR DONORS

1. Immediate Income Tax Deduction – The donor receives a charitable deduction in the year the property is deeded.
2. Lifetime Use of the Property – The donor retains the right to live in the home or farm for life.
3. Simplified Estate Settlement – The property automatically passes to the charity upon death, avoiding probate.
4. Meaningful Legacy – The property ultimately supports ministry or charitable work, creating lasting impact.

## RESPONSIBILITIES AND CONSIDERATIONS

While the retained life estate is appealing, it carries several practical and legal considerations:

- Ongoing Maintenance: The donor typically remains responsible for upkeep, insurance, utilities, and taxes.
- Irrevocability: Once the deed is executed, the gift cannot easily be reversed.
- Valuation and Appraisal: A qualified appraisal determines fair market value for the deduction.
- Charitable Acceptance Policies: Charities may require inspection or approval before acceptance.
- Future Sale or Relocation: If a donor later wishes to sell the property, proceeds would be allocated proportionately between the donor and the charity.

## HOW CHARITIES BENEFIT

For ministries and other charities, a retained life estate represents a powerful deferred giving opportunity. The gift builds a future pipeline of assets that can fund endowments, scholarships, and other long-term initiatives, strengthening the charity's mission and financial foundation.

## A TESTAMENT OF STEWARDSHIP AND FAITH

As Christians, we understand that everything belongs to God, and believers are called to manage his resources wisely. A retained life estate beautifully illustrates this principle: it transforms an earthly home into a heavenly investment. For those who love their home and their ministries, a retained life estate offers a way to cherish both.

## FINAL THOUGHTS

A retained life estate is not merely a tax-savvy tool—it's a reflection of legacy and faith. It allows a donor to align their resources with their values, blessing future generations long after their lifetime. When structured carefully, it can turn real property into real ministry.

---

Estate and gift planning information is offered as a service to friends of Dallas Theological Seminary. Communications with Gift Planning staff are not intended as, nor should they be construed to be, legal or tax advice and are offered for educational purposes only. We encourage you to seek legal and/or tax advice from your professional advisors prior to making any planned gift.