

MAKING AN IMPACT

Charitable Giving and Your Legacy

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Agenda

- Charitable Giving Considerations
- Retirement Plans & Estate/Charitable Planning
- Potential Trends in Giving
- Planned Giving Opportunities
- Questions to Ask Yourself

Benefits of Charitable Giving



- Personal satisfaction
- Current income tax deduction
- Avoid capital gains tax
- Reduce the amount of taxes your estate may owe

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Factors to Consider

TIMING

- During your lifetime
- After you have passed

BUDGET

- Percentage vs. Flat Amount
- Frequency

VEHICLES

- Outright gift
- Trust
- Beneficiary Designation
- Community foundation or donor-advised fund

STRATEGIES

- Qualified Charitable Distributions
- Gifting Appreciated Securities

Tax Considerations

Items to Discuss with your Tax Advisor

- **Charitable deduction**
  - Tax incentives associated with charitable giving
- **Carry forward rules**
  - Charitable contributions that exceed contribution limits in a given year may be deducted and provide opportunities for tax planning
- **Capital gains tax**
  - Long-term appreciated assets donated to charity may minimize capital gains tax
- **Increased standard deduction**
  - Many Americans do not have enough itemized tax deductions to surpass the increased standard deduction

Tax Considerations Continued

Items to Discuss with your Tax Advisor

- **Increased federal estate tax threshold**
  - Increased threshold means fewer families are subject to an estate tax.
- **Reduced individual and corporate tax rates**
  - Lower tax rates may mean a lower overall deduction but may give you more discretionary income for charitable giving.
- **Repealed Pease limitation***
  - This has a positive impact on donors itemizing charitable contributions by allowing them to deduct more.
- **Limited state and local tax deductions**
  - Limiting these deductions makes it more difficult to meet the newly increased thresholds.

*The Pease limitation was an overall reduction on itemized deductions for higher-income taxpayers.

Giving Strategies

Qualified Charitable Distributions (QCDs)

- A distribution from an IRA made directly to an eligible charity (i.e. not a donor-advised fund)
  - Allows individuals over 70 ½ to satisfy their Required Minimum Distribution (RMD) and exclude the value of the gift from their income.
  - QCD rules are very specific, so you will need to work with your tax preparer and someone experienced in planning and executing these types of strategies to ensure the distribution will be handled properly.
  - May reduce your Adjusted Gross Income, which can impact how much of your Social Security is taxable, how much (if any) of your Medicare premiums might be subject to surcharges, and Medical Expense deduction, etc.

Giving Strategies

Gifting Appreciated Securities

- Rather than selling a stock that has gone up in value and incurring a gain or gifting the stock to a loved one who will then pay taxes on the gain, shares can be gifted directly to a tax-exempt organization.
- The organization can then sell the shares for the fair market value.

Donor Advised Funds

- A donor advised fund is a giving fund established at a public charity and allows donors to recommend grants over time.
    - Flexible giving vehicle
    - May accept unique, illiquid assets

Giving Strategies

- Combine multi-year deductions into one year or "bunching"
  - The high standard deductions in place through at least 2025 makes it harder to claim a federal charitable contribution deduction.
- Charitable Trusts
  - Substantial Sale Strategy
    - Structured to eliminate, reduce, or defer capital gain taxation
      - Taxpayer has a large capital gain
      - Taxpayer contributes the appreciated asset(s) to a Charitable Reminder Trust (CRT)
      - The CRT sells without recognizing gain
      - The Gain is recognized as annuity (or unitrust) payments are made
      - This defers the tax liability for years and or reduces the total tax liability be avoiding higher income and a higher rate.
- Charitable Gift Annuities (higher interest rates are a benefit)
- Educational Improvement Tax Credit Program (EITC)

Retirement Plans & Estate/Charitable Planning

- Impact of the Secure Act 1.0 & 2.0
  - New Required Minimum Distribution (RMD) age ranges from 73 to 75
  - Change to inherited IRA's – new 10-year distribution requirement for non-Eligible Designated Beneficiaries (EDBs)
  - Qualified Charitable Distributions (QCDs)
  - Charitable Gift Annuity – One-Time Election at $53,000 (offsets RMDs)
  - Asset Location – Taxable and Retirement assets

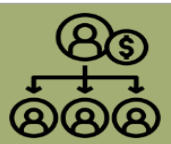
Seven "How's": Ways to Leave Benefits to Charity

- Name charity as sole plan beneficiary
- Leave benefits to charity, others, in fractional shares
- Leave pecuniary gift to charity, residue to individuals
- Formula bequest in beneficiary designation
- Leave benefits to charity through a trust
    - Complex and expert advice needed
- Leave benefits to charity through an estate
- Disclaimer-activated gift
    - Encourages individual beneficiary to be philanthropic

Potential Trends in Giving

- Gifting of property to reduce estate taxes
- More people could want to give during their lifetimes to lower one's taxable estate
- More people could look to utilize their retirement accounts as planned gifts
- More people could utilize Qualified Charitable Distributions
- More people could look to gift appreciated securities due to higher capital gain tax rates
- More people may benefit from the charitable deduction if the cap on state/local and property is increased or removed

Planned Gifting Opportunities



WILL OR TRUST REQUESTS

- Include a provision in your will or trust document
- Charity receives gift at your death
- Gift can be a fixed dollar amount, a percentage of your estate or the remainder of your estate after making provisions for your family and loved ones
- Your estate can take the income and estate tax deductions at that time



CHARITABLE TRUSTS

- Name charity as sole beneficiary or split with a non-charitable beneficiary
- Charitable lead trust vs. charitable remainder trust
- Expenses and fees associated with creation of trust
- Charitable Trusts can be created at death or during your lifetime

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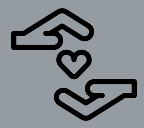
Planned Gifting Opportunities



IRAS AND OTHER RETIREMENT ASSETS

- Make a charitable gift using the beneficiary designation of your IRA, 401(k) or other retirement plan
- Gift avoids estate and income taxation on the assets accumulated tax-free during your lifetime
- Mitigates the impact of the SECURE Act rules regarding time horizon for distributions from inherited IRAs



INSURANCE

- One of the simplest ways to make a significant contribution
- Give a policy you no longer need (change the ownership of the policy to a charity)
- Take out a new policy
- Name a charity as a beneficiary of an existing policy
- Sell a life insurance policy you no longer need in the life settlement market and provide the proceeds to a charity

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Questions to Ask Yourself

- Aspiring Philanthropists
  - Is it important to leave a legacy for yourself and/or your family? How would you like to be remembered?
  - Do you see this as family activity or something you want to pursue on your own?
- Choosing the Right Charitable Vehicle
  - Is it important for your gifting activity to remain anonymous? Do you need anonymity for all donations or just some?
  - How much control do you want over the process, operations, administration and assets of your charitable activity?
  - Do you want your charitable legacy to end with you or be passed to your family?
  - How will you fund your charitable vehicle, now and in the future? Have you already earmarked funds for major or multiyear gifts that may require separate agreements?

Questions to Ask Yourself - Continued

- Refining and Redirecting for Results
  - Does your current philanthropic program reflect your original vision? If not, why?
  - Do you have the resources and guidance you need, for example, for crystallizing your mission, involving younger generations, governance, compliance, gifting policies and best practices?
  - Are you receiving the maximum tax advantages for which you are eligible?
  - Are you anticipating significant changes (for example, personnel transitions, influx of capital) in the next few years that could impact your philanthropy?

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