2018 South Alabama Non-Profit Summit

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PLANNED GIVING

Presented by:

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WHAT *IS* PLANNED GIVING?

Planned giving may be referred to as "gift planning" or "legacy giving". It is a way for people to provide gifts, be it monetary, property, income, or other assets, to non-profits in such a way so that individuals are able to maximize the amount of gifts than they could from donations of ordinary income.

Some planned gifts provide life-long income to donor. Other gift plans use estate and tax planning to provide for the charity and heirs in ways that maximize the gift and/or minimize its tax consequence impact on the donor's estate.

Examples of gifts that may be provided in planned giving are:

- Cash
- Appreciated securities/stock
- Real estate
- Artwork
- Partnership interests
- Personal property
- Life insurance
- Retirement plans

- Annuities

I. What are the three most common types of planned gifts?

A. Outright gifts are gifts that use appreciated assets as a substitute for cash. An appreciated asset is an asset that is worth more today than when it was originally obtained. In tax lingo, its fair market value is greater than its basis. Examples are:

1. Real Estate

2. Artwork

3. Collectibles

B. Gifts that return income or other financial benefits to the donor in return for the contribution.

1. Charitable gift annuities make fixed payments, starting either when the gift is made (an immediate-payment gift annuity) or at a later date (a deferred or flexible gift annuity). Some organizations maintain pooled income funds, which commingle donations, pay beneficiaries variable depending on the earnings of the fund, and generally operate like a charitable mutual fund.

2. Charitable remainder unitrusts and annuity trusts are individually managed trusts that pay the beneficiaries either a fixed percentage of trust income or a fixed dollar amount.

3. These vehicles for giving create a win-win, meaning the charity obtains an asset and the donor obtains favorable tax treatment on the gift, the income to the beneficiary and their estate.

C. Gifts payable upon donor's death.

1. Gifts may be made via a Trust.
   a) A trust may bequeath assets to a charity at the benefactor's death.
   b) Because most trusts are amendable, the gifting may be adjusted during the benefactor's lifetime.
   c) Gifts may be for specific assets, a percentage of the estate, or in specific amount.

2. Gifts may also be made via a specific or general bequest in a Will.
   a) A will has the same benefits as a trust for planned giving.
   b) The Probate Court will have jurisdiction over the probated will and distributions.
   c) Gifts may be for specific assets, a percentage of the estate, or in specific amount.

3. Certain deeds
   a) Life Estate Deed
   b) Other Deeds

4. Donors may name a charity as a Beneficiary to a variety of assets, either in whole or a percentage.
   a) Life insurance policies
   b) IRAs
   c) Annuities
   d) Trusts

II. Tax benefits of planned gifts

A. Donors who establish a life-income gift receive a tax deduction for the full, fair market value of the assets contributed, minus the present value of the income interest retained; if they fund their gift with appreciated property they pay no upfront capital gains tax on the transfer.

B. Gifts payable to charity upon he donor’s death, like a bequest or a beneficiary designation in a life insurance policy or retirement account, do not generate a lifetime income tax deduction for the donor, but they are exempt from estate tax.

C. With the new tax law changes, some of the benefits that most tax payers desired in exchange for a charitable donation are not applicable. This is because of the federal exemption amount for a taxable estate.