
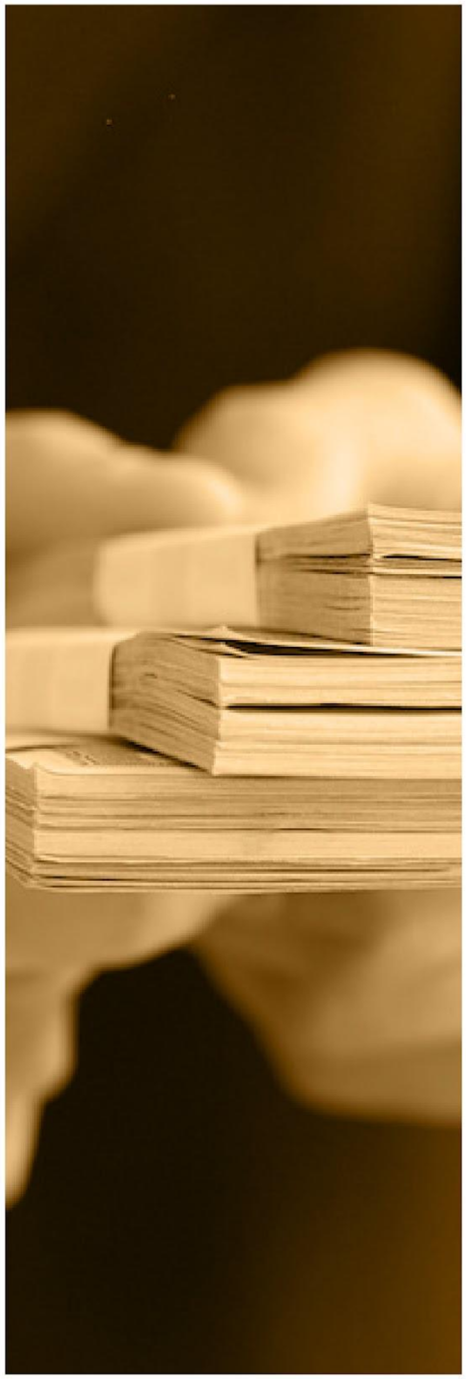


Flourish
WEALTH MANAGEMENT

What to Consider in Your Charitable Giving Plan

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What to Consider in Your Charitable Giving Plan

CONGRATULATIONS! YOU'VE DECIDED TO GIVE TO A CHARITABLE ORGANIZATION. CHARITABLE GIVING IS A WONDERFUL WAY TO HELP FURTHER CAUSES YOU ARE PASSIONATE ABOUT AND FEEL GOOD WHILE DOING IT.

DECIDING HOW TO GIVE: FOUR COMMON OPTIONS

Planned Giving

PLANNED GIVING, ALSO KNOWN AS GIFT PLANNING OR LEGACY PLANNING, IS A WAY TO GIVE TO CHARITIES, OFTEN AFTER YOUR DEATH. THE SIMPLEST FORM OF PLANNED GIVING IS NAMING A CHARITY OR ORGANIZATION IN YOUR WILL OR REVOCABLE TRUST.

The simplest form of planned giving is naming a charitable organization in your will or revocable trust. Your taxable estate will receive a deduction for the value of the charitable gift and will not be subject to estate tax.

There are other types of planned giving, too. Some gifts will provide life-long income to the donor and often are designed to use tax planning and estates to provide for charities and heirs in ways that maximize giving while minimizing taxes or impact on the estate. The planned gift can also come in many forms, including life insurance, real estate, personal property, stocks, equity, or cash.

There are three types of planned gifts:

- Outright gifts that use appreciated assets in place of cash
- Gifts that return income or financial benefit to the donor in return for contribution
- Gifts that are payable upon the donor's death

The tax benefits of planned giving are receiving a charitable deduction for full market value and paying no capital gains tax on the transfer. If the gifts are payable upon the death of the donor, they are exempt from estate tax.

When deciding on the charity or organizations to give to, doing a little homework is important. You want to donate to organizations that you trust and that will make the best use of your contribution. Be sure to confirm that the organization or non-profit is recognized by the IRS.[2]

Gift Annuities

CHARITABLE GIFT ANNUITIES ARE CONTRACTS BETWEEN A DONOR AND A CHARITY.

With a gift annuity, the donor makes a sizeable donation to the charity using cash, securities, or other types of assets. In return, the donor takes a tax deduction for the donation and receives payments on a fixed schedule for life, per the terms of the annuity agreement.

The agreement is not a trust and the terms lock in the rate, amount, and timing of payouts that the donor receives. Benefits involve being eligible to claim partial charitable giving deductions the year you make the contribution. Another benefit, if donating non-cash assets directly, is that it may help reduce or eliminate capital gains tax. The drawback is that your annuity income is taxable at the federal level – and possibly at the state level, too.

Charitable Remainder Trust (CRT)

SIMILAR TO GIFT ANNUITIES, A CHARITABLE REMAINDER TRUST (CRT) INVOLVES MAKING A LARGE DONATION TO AN IRREVOCABLE CHARITABLE TRUST.

Depending on how the CRT is set up, the donor or a named beneficiary will receive a percentage of the trust's value at set times. After the death of the donor, or at a set time, the trust will go to the charity or charities it was created for. If the CRT is set up to benefit multiple charities, a donor-advised fund (discussed below) may be named as beneficiary to professionally manage and distribute a donor's intended gifts.

Maximizing Philanthropic Impact: A Case Study on Setting up a Charitable Remainder Trust

Mr. Anderson, a successful entrepreneur in his late 60s, had built a substantial estate through his business ventures. He had a strong desire to make a meaningful philanthropic impact while ensuring his financial security and that of his loved ones.

Client Objectives:

Establish a legacy:

Mr. Anderson wanted to create a lasting legacy by supporting causes close to his heart, such as education and medical research.

Generate income:

Mr. Anderson aimed to secure a reliable income stream during his lifetime to support his retirement lifestyle

Minimize tax burden:

Mr. Anderson sought strategies to reduce his overall tax liability and potentially avoid capital gains taxes on appreciated assets.

Our Approach:

Initial Consultation: We conducted a detailed discussion with Mr. Anderson to understand his financial goals, philanthropic aspirations, and current financial situation. We carefully assessed his assets, income sources, and potential tax implications.

Charitable Remainder Trust (CRT) Explanation: We explained the concept of a CRT to Mr. Anderson. We outlined the key features, benefits, and mechanics of a CRT, emphasizing its ability to generate income for the donor and ultimately support charitable causes.

Asset Evaluation and Selection: After analyzing Mr. Anderson's portfolio, we identified highly appreciated assets, including stocks and real estate. We highlighted the potential benefits of using these assets to fund the CRT, such as bypassing capital gains taxes upon their sale.

Collaborating with Legal Professionals: Recognizing the complexity of establishing a CRT, we engaged an experienced estate planning attorney to ensure compliance with all legal requirements and maximize the effectiveness of the trust structure.

Setting up the Charitable Remainder Trust:

Trust Structure:

We worked closely with the attorney to establish a Charitable Remainder Annuity Trust (CRAT) to provide Mr. Anderson with a fixed income stream during his lifetime.

Charitable Beneficiary Selection

Mr. Anderson identified specific charitable organizations and causes he wished to support through the trust. We conducted thorough due diligence to verify their legitimacy and alignment with Mr. Anderson's philanthropic goals.

Income Distribution:

Alongside the attorney, we determined an appropriate annuity payment percentage to ensure a sufficient income stream for Mr. Anderson while considering the long-term impact on the charitable beneficiaries.

Donor-Advised Funds (DAF)

WITH A DONOR-ADVISED FUND, A DONOR CREATES AN ACCOUNT AND MAKES CONTRIBUTIONS IN CASH, PERSONAL ASSETS, STOCK, REAL ESTATE, ETC. THEY CAN THEN TAKE AN IMMEDIATE TAX DEDUCTION.

The account is controlled by a nonprofit, called a sponsoring organization, which will invest and manage the fund. This allows donors to benefit from professional management of their contributions, and they may recommend grants from the fund over time to support the non-profits and causes they find meaningful.

Note that DAFs are not all alike, and every sponsoring organization operates with different procedures and rules.

Did you know that charitable giving is not just good for others but also for you? It's true! Giving to charity actually fires up the pleasure and reward parts of our brains. It can also help with overall life satisfaction and mortality rates.[1]

Donor Advised Funds fall into three categories:

Commercial:

Commercial funds were started by financial services firms. Benefits to commercial funds tend to be low service fees and user ease.

Community Foundation:

Community foundation funds tend to be a key donation vehicle for grant makers. The plus of community foundation funds is in their interconnectedness with the local organizations and grant makers. They are a good match for a donor who wants to be more involved, or who desires help making plans.

Single-Issue:

Single-issue funds, as the name implies, focus on one particular issue or organization. Single-issue funds may have specific rules about where a certain percentage of gifts go.

Would you like to discuss your retirement plan?

Schedule your Discovery Call by visiting our website flourishwealthmanagement.com or call us at 952-392-4474

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Benefits & Results:

Tax Advantages:

By contributing appreciated assets to the CRT, Mr. Anderson avoided immediate capital gains taxes and received an income tax deduction based on the present value of the charitable remainder interest.

Lifetime Income:

The CRT generated a fixed annual income for Mr. Anderson, allowing him to maintain his desired standard of living throughout retirement.

Charitable Impact:

The assets placed in the CRT will be distributed to the chosen charitable organizations upon Mr. Anderson's passing, making a substantial and lasting impact in the areas he cares about most.

This case study demonstrates the potential benefits of utilizing a CRT for individuals seeking to create a legacy and is for illustrative purposes only and does not constitute financial advice. Individual circumstances may vary, and it is recommended to consult with a qualified financial advisor for personalized guidance.

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1 https://www.psychologytoday.com/us/blog/evidence-based-living/201711/giving-is-good-you

2 You can visit https://www.irs.gov/charities-non-profits/tax-exempt-organization-search to confirm your organization is recognized by the IRS as tax-exempt.