Planned Giving Advantages

Fun with taxes and probate

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Roadmap

- Probate
- Giving during life vs at death
- Gifts having immediate impact
- Gifts taking effect after death
- Gifts generating income
- 2021 specials
- Estate taxes

Probate

- Legal process through which property is transferred after a property owner’s death
- Re-titles assets not re-titled some other way (valid beneficiary listed, automatic survivorship feature, etc.)
- Calls for gathering (“marshalling”) of assets, paying off debts, and distributing remaining assets in accordance with the decedent’s estate plan and state law
- Timely, expensive, and public process that people like to avoid
- If decedent dies intestate (without a will), state law governs, and charity is not included

Giving (to individuals) During Life vs at Death

- Step up in basis at death
- Long-term holding period even if sold that day
- Use income tax charitable deduction during life, give to charity and family at death
- Take advantage of the annual gift tax exclusion amount ($18,000 for 2024) for gifts to individuals
- Downside: don’t get to see the benefit of what’s left at death, can’t answer questions if intentions were unclear

Gifts having immediate impact

- Cash – charitable deduction on income taxes if itemized
- Donor Advised Funds – can front load multiple years' worth of charitable donations to itemize one year, take standard deduction other years – need sufficient cash flow, need to advise charity this is not an annual pledge
- Stocks and bonds – appreciated – get tax deduction and avoid capital gains taxes
- Stocks and bonds – depreciated – sell the asset, claim the capital loss, donate the remainder and take charitable deduction
- Real estate – same as stocks and bonds but will need appraisal
- IRA rollover (QCD) – transfer up to $100,000 of RMD without paying income taxes on the distribution (one-time $50,000 transfer into CGA or CRT)

Qualified Charitable Distributions

- Individuals who are 70½ years old or older can make qualified charitable distributions(QCDs) directly from their individual retirement accounts (IRAs) to their favorite qualified charities
- This is true even though required minimum distribution (RMD) age was raised to 72 as of January 1, 2020 as a result of the Secure Act. Secure Act 2.0 extended the start of RMDs beyond age 72 on a gradual basis moving forward: For those who reach age 72 after Dec. 31, 2022 and age 73 before Jan. 1, 2033, the RMD age would be 73. For those who reach age 74 after Dec. 31, 2032, the RMD age would be 75.
- Can give up to RMD amount or $100,000, whichever is less ($50,000 into CGA or CRT)
- QCDs are not subject to income tax withholding (example: $100,000 QCD, 24% federal income tax bracket, would owe $24,000 in taxes if take RMD rather than do a QCD)

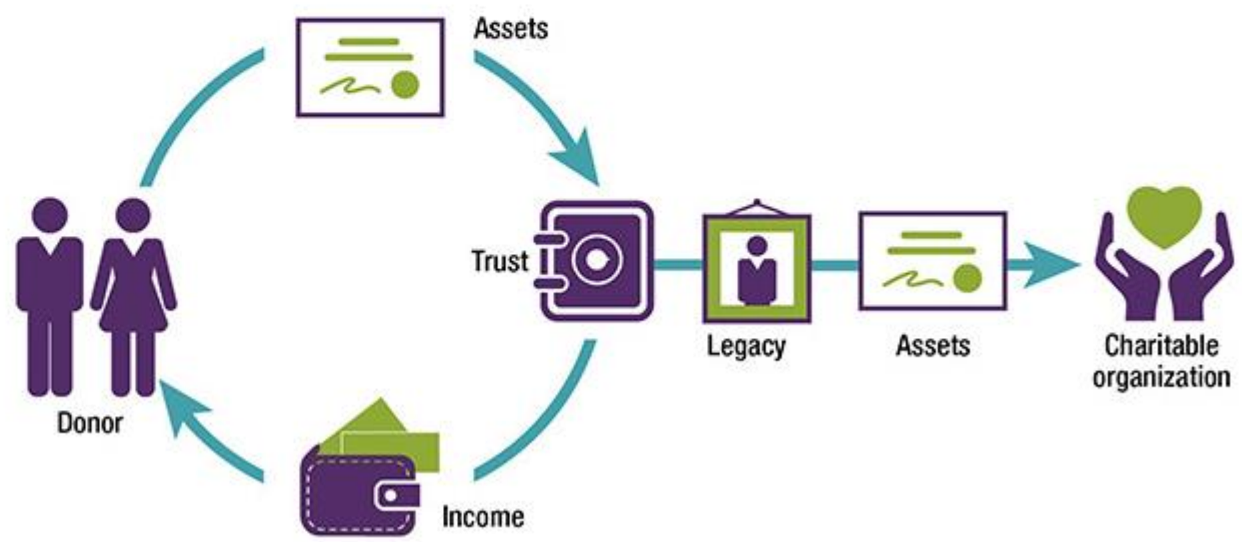
Gifts taking effect after death

- Will or Trust – charitable deduction on estate tax form
- Retirement assets - charitable deduction on estate tax form
- Life insurance – death benefit is tax free for recipient, even if person and not charity, but still an easy and convenient way to benefit charity, and the benefit is predictable
- Life estate – gift real estate but retain right to use the property for life – income tax deduction for FMV of real estate minus retained interest (based on IRS mortality tables)
- Donor Advised Funds – can designate a beneficiary for funds not self-directed during life, income tax deduction was already taken when funds were donated
- IRA – no more "stretch IRA" for inherited IRAs, must be liquidated within ten years. RMDs trigger ordinary income taxes. Donation to charity avoids this while not impacting standard of living for donor.

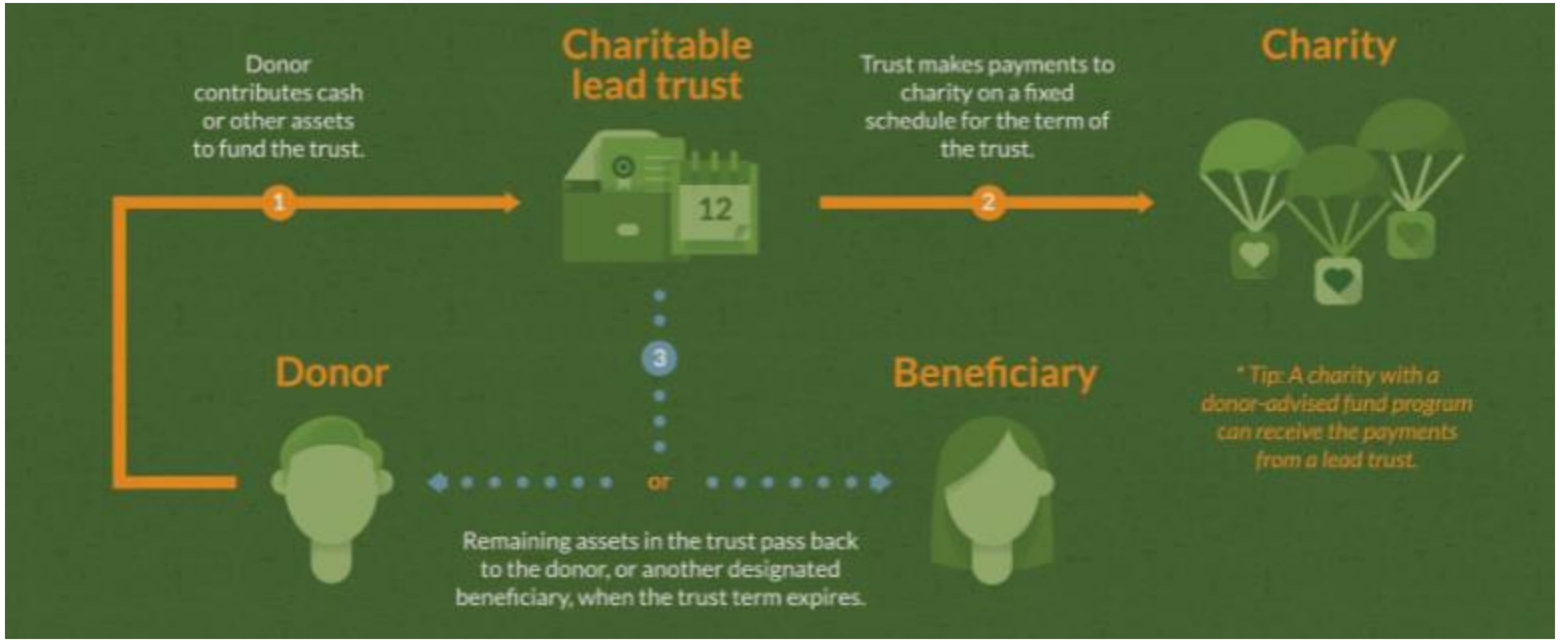
Gifts generating income

- Charitable gift annuity – make a gift to charity, get an income tax deduction, receive payments for life. Value of property contributed less present value of annuity equals charitable income tax deduction in year of transfer. Annuity payment depends on age of donor/annuitant.
- Charitable remainder trust – transfer cash or appreciated asset to trust, take income tax deduction in year of donation, avoid capital gains taxes upon sale of property, income for life or term of up to 20 years, charity gets remainder. Income tax deduction for amount expected to go to charity.
- Charitable lead trust - transfer cash or appreciated asset to trust, take income tax deduction in year of donation, avoid capital gains taxes upon sale of property, income to charity for term of years, non-charitable beneficiary gets remainder. Income tax deduction for amount expected to go to charity.

CRT illustrated



CLT illustrated



Special for 2021 tax year

- $300 above the line charitable deduction – even if you don’t itemize
- Can deduct up to 100% of AGI
- These are no longer available

Estate Taxes

- 40% after first $1M, plus some states have inheritance taxes
- Lifetime exemption amount of $13.61M in 2024, scheduled to sunset back to $5M indexed for inflation at end of 2025 (unless Congress changes it sooner)
- Assets left to charity are subtracted dollar for dollar from one’s gross estate. For example, Jane dies with a gross estate valued at $16M. If she left $4M to her favorite charity in a Will or Trust, her taxable estate is reduced to $12M and no estate taxes are owed. If she doesn’t leave anything for charity, her heirs receive around $14M after estate taxes; if she gives $4M to charity, her heirs receive $12M, the charity receives $4M, and Uncle Sam receives $0 in estate taxes.

Questions?

- Thank you for your attention!