Planned Giving Tools and Strategies

Most donors give cash or leave a legacy in their Will or Trust. These are wonderful gifts;
However, asset gifts provide tax benefits to donors which can create larger donations and a greater impact.

Will or Trust Gift:

Donors can leave a legacy of their own design with a percentage of their estate, all or part of an asset or a specific bequest.

Stock (Publicly Traded):

Gifting highly appreciated stock has tax benefits over cash gifts. Donors get a deduction for the full market value and the charity can sell the stock tax-free.

Asset Gift (Real Estate, Business Interests, Property, etc.):

Assets that have grown in value are often subject to Capital Gains, State Taxes and can be assessed Net Income Tax or Depreciation Recapture. Contributing even a part of these assets can help with the tax burden and create a significant gift. It can be complex and there may be Planned Giving Tools that help. Beware of Unrelated Business Taxable Income (UBTI) that is taxable to charities.

Life Insurance:

Donors can transfer ownership of an existing policy or add a charitable beneficiary. Buying life insurance for a gift or pledge is not generally a good idea. If it is considered, the donor should be older than 65, willing to pay all premiums within 5 years and give ownership to the charity. All life insurance gifts should be carefully reviewed by an expert.

Investment Annuity:

Growth in an annuity will be taxable as ordinary income to the donor and/or their heirs (no estate tax exemption (IRD)). The donor can gift an annuity or make the beneficiary a charity to avoid taxable income and taxation at death.

Charitable Gift Annuity (CGA):

Donors can plan for retirement by donating a lump sum and securing an income stream for life. The claims paying (income) is the responsibility of the charity's general account and it is a liability to the organization.

Donor Advised Fund (DAF):

The donor can create a charitable savings account, get an income tax deduction, invest the money, and grant the funds *at their discretion* to charities.

IRA, 401k, 403b and other Qualified Plans:

Retirement and qualified account distributions are taxed as ordinary income and they have a death tax (Income in Respect to Decedent (IRD)) that is not included in estate tax exemptions.

Beneficial Designations: Heirs must pay death taxes on retirement assets, so it should be the first asset a donor gives to a charity if they want to leave tax free assets to heirs.

Qualified Charitable Distribution (QCD): A QCD allows a donor to gift up to $100,000 per year to a qualified charity after the age of 70 1/2. Better than an income tax deduction, the donor never takes receipt of the money and these gifts can potentially lower the donor's tax bracket and save Social Security and Medicare Taxes.

Charitable Remainder Trust (CRT):

A CRT allows the tax-free sale (all or partial) of an asset, business, or property while providing the donor with lifetime income, an income tax deduction today for a future gift, asset protection and potential estate tax savings. The economic benefit of saving taxes provides the donor with more lifetime income and the opportunity to leave a meaningful gift to charity. Donor's advisors arrange Trust.

Grantor Charitable Lead Trust (G-CLT):

The donor can create their own "endowment or pledge" and give the charity contributions from an asset they allocate to a G-CLT. The donor can get an income tax deduction today for the future annual contributions to nonprofits. The donor can be the Trustee, determine the length of the trust, contribution amounts and get the asset back at the end of the term.

Charitable Lead Trust (Non-Grantor) (CLT):

Estate taxes can be mitigated or reduced using a CLT that provides annual payments to a nonprofit and leaves the corpus of the trust to heirs.

Retained Life Estate:

A donor can commit to gifting their home / real estate after they pass away, use it during life, and get an income tax deduction today for the future gift. The Donor must maintain the property and it can get very complicated.

Donors should consult with their advisors for implementation, rules, regulations and to help determine the most efficient gifting strategies.

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Gift Planning Institute - Tools Matrix

Gift Planning Strategies	Donor Benefits										**Notes and Benefit to Charity**
	Receives Income Tax Deduction	Income Tax Deduction can be stretched up to 6 years	Capital Gains Tax Benefit 15-20%	Depreciation Recapture Tax Benefit	Net Income Tax Benefit 3.8% (over $250,000 /couple)	Provides Income To Donor	Can Support Asset Protection Planning	Provides Estate Tax Planning	Avoids Taxes for heirs (Income in Respect to Decedent)	Potentially lower tax bracket and save on Social Security taxes	
Cash	Yes										Easy to accept
Will / Trust								Yes			Creating Legacy
Stock	Yes		Yes		Yes						Easy to accept
Highly Appreciated Asset Gift	Yes		Yes	Yes	Yes						Larger gifts - partial assets
Existing Life Insurance Policy	Yes										New Tax Code = many unneeded policies
Investment Annuity	Yes				Yes				Yes		Bad asset to leave kids
Gift Annuity	Partial		Yes			Yes					Liability to the Nonprofit
Donor Advised Fund	Yes		Yes	Yes	Yes						Charitable savings + growth account
IRA Beneficial Designation									Yes		Simple and best asset to give
IRA Qualified Charitable Distribution	Reduces Taxable Income! (better)				Yes				Yes	Yes	Simple and best asset to give - Donor must be 70.5+
Charitable Remainder Trust	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			Charity gets remainder corpus
Grantor Charitable Lead Trust	Yes	Yes									Revenue pledge for charity now
Charitable Lead Trust					Yes		Yes	Yes			Revenue pledge for charity
Retained Life Estate	Yes	Yes	If huge growth	Yes (not typical)	If huge growth			Yes			Elaborate legal planning