

GIFT PLANNING 101: MAKING SENSE OF ALPHABET SOUP

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AGENDA



WHAT IS GIFT PLANNING?



WHAT OPTIONS ARE AVAILABLE TO DONORS?



WHAT OPTIONS ARE BEST WHEN?

WHAT IS GIFT PLANNING?

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“A present decision to make a future gift, evidenced by a legal contract.”
(Robert F. Sharpe, 1972)

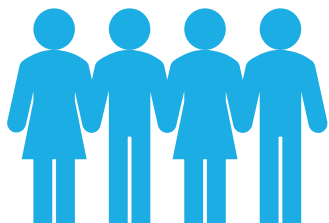
“[A]ny charitable gift that requires more thought and planning to execute than the average donation.” (Blackbaud)

“A donor-centred process of planning current and future charitable gifts in a way that meets the donor’s philanthropic goals and balances personal, family and tax considerations.” (Canadian Association of Gift Planners)

“[P]lanned giving is the process of making a significant charitable gift during a donor’s life or at death that is part of his or her financial or estate plan... requiring donors to turn to professionals for assistance. [It’s] a process as opposed to a set of products.” (Russel A. Prince, Forbes, 2016)

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WORKING DEFINITION



Viken Mikaelian, PlannedGiving.com

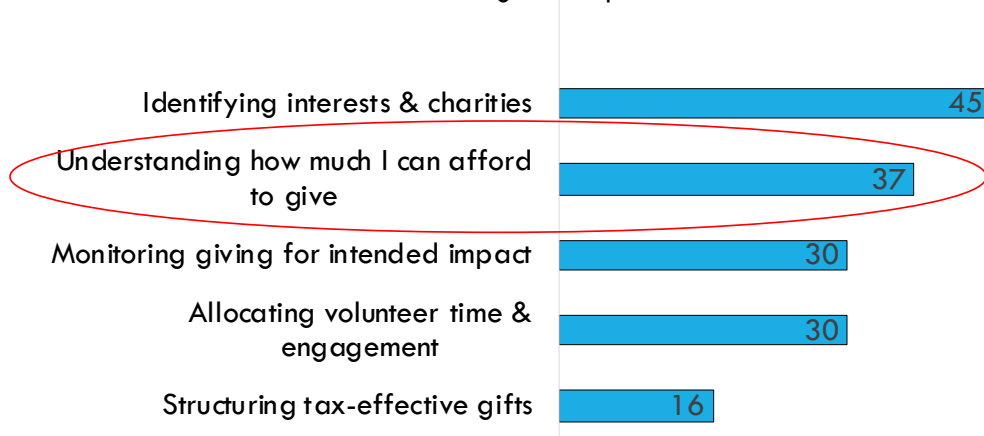
“Planned giving is sometimes referred to as gift planning or legacy giving. It is a way to support non-profits that enable philanthropic individuals to make larger gifts than they could make from ordinary income...

Thus, by definition, a planned gift is any major gift, made in lifetime or at death as part of a donor’s overall financial and/or estate planning.”

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CHALLENGES TO CHARITABLE DECISION MAKING?

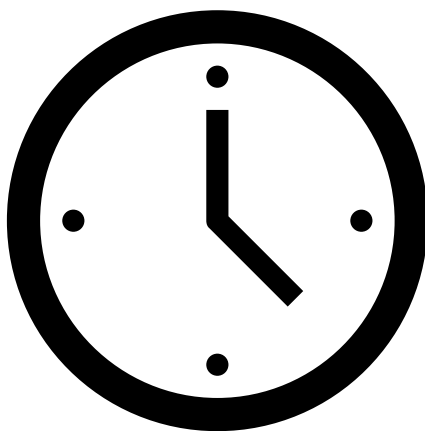
Percentage of Respondents



2018 US Trust Study of High Net Worth Philanthropy

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WHAT OPTIONS ARE AVAILABLE TO DONORS?



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OPTIONS FOR TIMING

1. Give **now** and the charity benefits **now**
2. Give **now**, donor and family benefit **now**, and the charity benefits **later**
3. Give **later** and the charity benefits **later**



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GIVE NOW AND CHARITY BENEFITS NOW



CASH



SECURITIES



REAL ESTATE



PERSONAL
PROPERTY



IRA GIFT



DONOR
ADVISED
FUND



LEAD TRUST



CERTAIN LIFE
INSURANCE

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FEDERAL AND CA INCOME TAX RATES 2019

Federal

Character	Percentage
Ordinary	37% (max)
Net Investment Income	+ 3.8%
Capital Gains - Long	20% (max)
Capital Gains – Collectibles	28%
Depreciation Recapture	25%

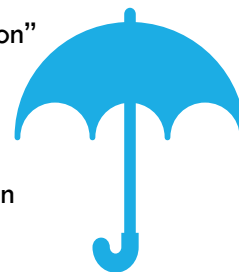
California

Character	Percentage
Ordinary	12.3% (max)
Ordinary - Millionaire	+ 1%
Capital Gains	Same as ordinary

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DISTRIBUTION FROM AN IRA (A/K/A “IRA CHARITABLE ROLLOVER”)

- Internal Revenue Code § 408(d)(8) - “qualified charitable distribution”
- IRA owner 70 ½ or older
- Distribution made with no possession by owner
- To a §170(b)(1)(a) charity and not a DAF or supporting organization
- Owner may not receive a benefit
- Offsets required minimum distribution
- Maximum amount is \$100,000
- No charitable deduction



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PERSONAL PROPERTY

- Related use by charity
- Inventory for the donor
- Gift of future interest



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CHARITABLE LEAD TRUST (“CLT”)

- 4 different types
 - grantor vs. non-grantor
 - reversionary vs. non-reversionary
- Pay an annuity or a unitrust amount
- Most common is a CLAT with balance to family



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GIVE NOW, RECEIVE INCOME, BENEFIT CHARITY LATER



CHARITABLE GIFT
ANNUITY



CHARITABLE REMAINDER
TRUST

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CGA VS. CRT

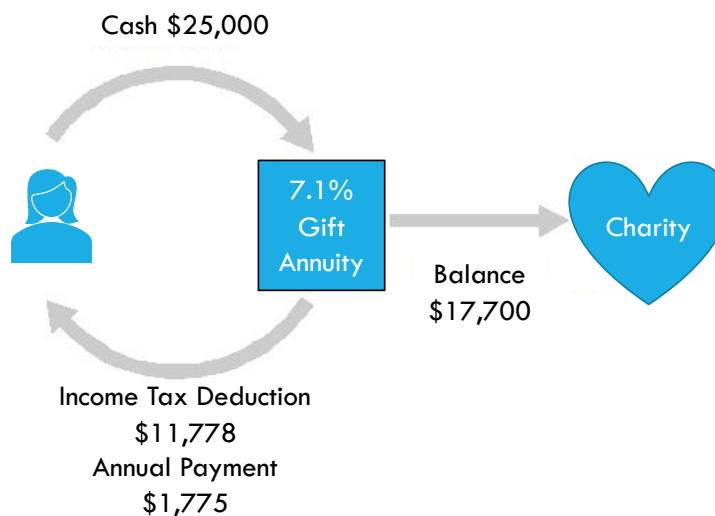
	CGA	CRT
How created?	Contract	Trust
Cash or marketable securities?	Yes	Yes
Closely held stock?	Not likely	Yes, but not S-corp
Real estate?	Yes, but complicated	Yes, but no debt
Income stream?	Fixed amount	Fixed amount or fixed %
Tax-free income?	Yes	Very unlikely
Regulated?	CA Dept. of Insurance	State law per trust

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CGA - EXAMPLE

Benefits for donor

- Steady income for the rest of her life
- 75% of income tax free for 10 years
- Immediate income tax deduction
- Support her charity

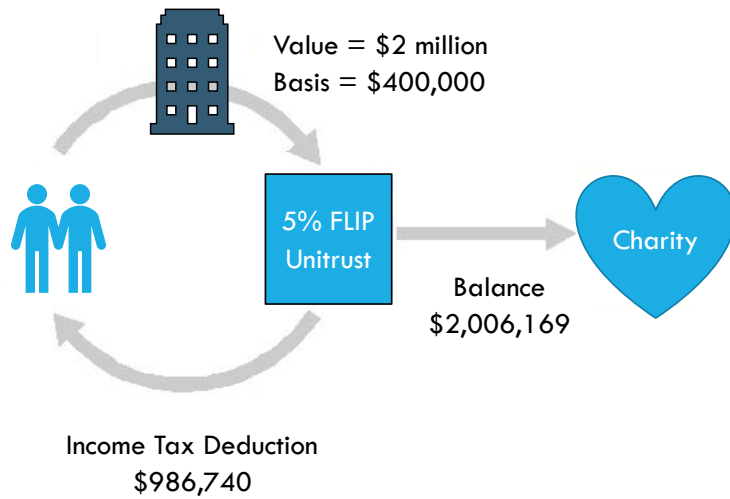


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CRT - EXAMPLE

Benefits for donor

- Immediate income tax deduction
- Income of \$100,000 annually (projected)
- No more management
- Diversify assets
- Support their charity



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GIVE LATER AND CHARITY BENEFITS LATER



BEQUEST (TRUST OR WILL)



LIFE ESTATE

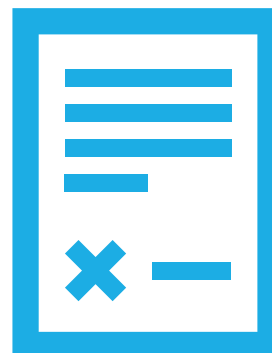


BENEFICIARY DESIGNATION

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BEQUEST — GIFT FROM A WILL OR TRUST

- Typical range: \$25,000 - \$100,000
- 4 Types – restricted or unrestricted
 - Pecuniary – a set sum
 - Specific – a certain thing
 - Residuary – what's left
 - Contingent – if/then
- 50% of last estate plan adds charities for the first time
- Sign release?



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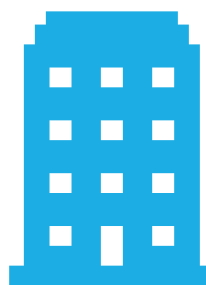
LIFE ESTATE - EXAMPLE

Facts

- 60 year old donor
- Outlive savings?
- Home valued at \$2.5 million
 - Low basis, No debt

Steps for Donor

- Obtain qualified appraisal
- Execute Gift Deed
- Execute contract re: maintenance and taxes



Benefits for Donor

- Live in home for rest of life
- Immediate income tax deduction of about \$1 million

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BENEFICIARY DESIGNATIONS

Retirement Accounts

- \$14.6 trillion estimated IRA & 401K
- Donor completes designation form
- Charitable estate tax deduction
- Charity pays no income tax
- Collection challenges
 - Open account at custodian
 - Patriot & Know Your Customer Acts
 - Withhold income tax



Life Insurance Policies

- Charitable estate tax deduction
- No income tax deduction during lifetime even if designation made irrevocable

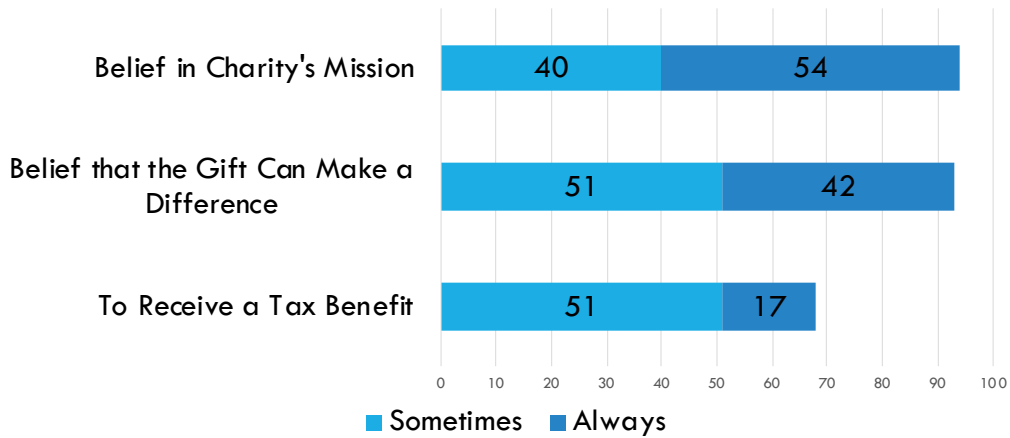
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WHAT OPTIONS ARE BEST WHEN?



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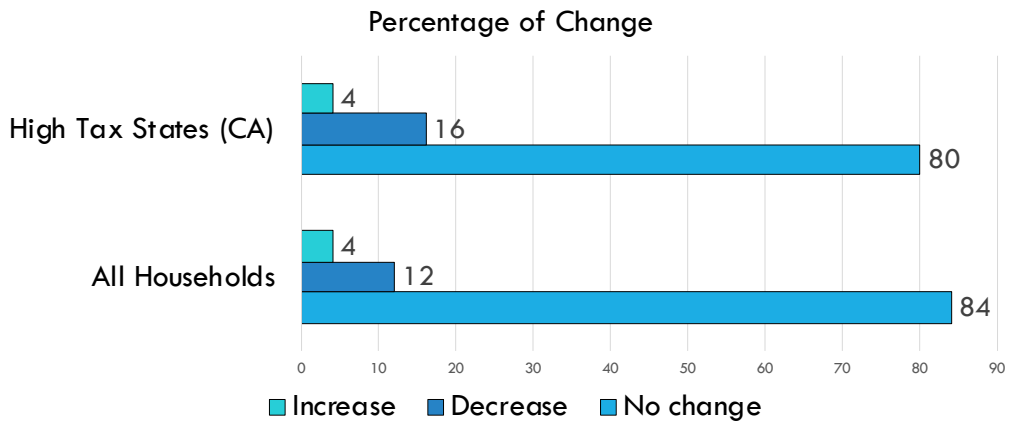
HNW'S MOTIVATIONS FOR CHARITABLE GIVING



2018 US Trust Study of High Net Worth Philanthropy

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CHANGE CHARITABLE GIVING DUE TO TAX LAW?



2018 US Trust Study of High Net Worth Philanthropy

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A FEW IDEAS

Standard Deduction? Direct gift from IRA or gift of appreciated property

Too much income? Charitable lead trust (CLT)

Too little income? Charitable remainder trust (CRT) or charitable gift annuity (CGA)

Income from IRAs and annuities? Direct gift from an IRA or estate gift of IRA's balance

Illiquid assets – investment property, unused vacation home, family business? Outright or CRT

Charitable carry-forward? Roth Conversion of an IRA

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QUESTIONS?

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THANK YOU!

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