



# **Planned Giving: Why and How**

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# Presenter

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# Literacy around Legacy A Guide to Giving

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# AGENDA

What is Planned Giving?

Who Does it and How  
Much Does it Account For

Difference Between  
Giving and Planned Giving

Types of Planned Gifts

How to Give Efficiently

# Planned Giving, What Is It?

- According to a Forbes article “What Is Planned Giving?” it 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”
- According to me, it is an intention to give a gift of any size due to a person’s passion for a cause, a legacy, and/or relationship to the organization.
- It is NOT taking a \$20 out of your wallet and sticking it in the donation jar

# The Numbers

- Americans gave over \$410 Billion to charities in 2017, more than 5% increase from 2016.\*
  - \$286.65 Billion was by Individuals
  - \$66.9 Billion Given by Foundations
  - \$35.7 Billion Given by Bequest
  - \$20.77 Billion Given by Corporations.
- 77% of people believe everyone can make a difference by supporting causes.\*\*

\*<https://givingusa.org/wp-content/uploads/2018/06/GUSA-2018-Infographic-FINAL.png> 5/1/19

\*\*<https://nonprofitssource.com/online-giving-statistics/> 5/1/19

# Types Of Planned Gifts



# Bequests or Beneficiary

- Simplest way to give
- A gift made by giving personal property or assets
- Putting a charity down as beneficiary on an asset (i.e. IRA's, life insurance, bank accounts)



# Charitable Gift Annuity

- Contract between donor and the charity
- Transferring cash or property in exchange for a chance to claim partial tax deduction
- Lifetime annual income gets paid to donor from the charity
- Upon death the charity received any remaining dollars

# Charitable Remainder Trust

- Irrevocable
- Allows donor to receive income tax deduction and avoid estate taxes
- Generates Potential Income Stream for Donor
- Upon Donor's Death remainder of the assets goes to the charity.

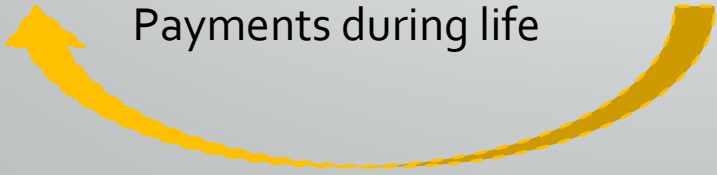
\*\*\*Due to the legal complexities involved, it is prudent to set up a charitable gift under the guidance of an estate attorney.



Initial Transfer



Payments during life



# Donor Advised Funds

A giving vehicle established at a public charity. It allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend grants from the fund over time. Donors can contribute to the fund as frequently as they like, and then recommend grants to their favorite charities whenever makes sense for them.

# Donor Advised Funds

- You make an irrevocable contribution of personal assets, including cash, stock, real estate and more.
- You immediately receive the maximum tax deduction that the IRS allows.
- You name your donor-advised fund account, advisors, and any successors or charitable beneficiaries.
- Your contribution is placed into a donor-advised fund account where it can be invested and grow tax-free.
- At any time afterward, you can recommend grants from your account to qualified charities.



**DONORS  
CONTRIBUTE**



**ASSETS  
GROW**



**CHARITIES  
BENEFIT**



# How to Give


# Hypothetical Example Of an Efficient Gift in Life

Donor: Mrs. Charity Giver  
Current Tax Bracket: 37%  
Current Capital Gains Tax: 20%

|                                   | CASH GIFT                    | STOCK GIFT          |
|-----------------------------------|------------------------------|---------------------|
| TOTAL VALUE                       | \$1,000                      | \$1,500             |
| <u>Amount Mrs. Giver Benefits</u> |                              |                     |
| Ordinary Tax Saved                | \$370 (1,000 * 37%)          | \$555 (1,500 * 37%) |
| Capital Gains Tax Saved           | 0 (no capital gains on cash) | \$300 (1,500 * 20%) |
| Net Cost to Donor for Gift        | \$630                        | \$645               |

**\*\*Assumption: Mrs. Giver bought the stock at \$10/share and now the current value is \$50/share.**





# Consider Assigning Your Favorite Non-Profit as Beneficiary

- IRAs
- Bank Accounts
- Life Insurance
- Investments

# Hypothetical Example Of an Efficient Way to Designate Beneficiaries

Mrs. Charity Giver  
2 Kids: Mary Giver & Max Giver  
Current Tax Rate for All: 37%

| CURRENT ASSETS |           |
|----------------|-----------|
| IRAs           | \$400,000 |
| Roth IRA       | \$150,000 |
| Life Insurance | \$300,000 |

|                    | <b>IRA</b> | <b>Roth IRA</b> | <b>Life Insurance</b> | <b>Total Each Received</b> |
|--------------------|------------|-----------------|-----------------------|----------------------------|
| Mary Giver         | \$126,000  | \$75,000        | \$100,000             | \$301,000                  |
| Max Giver          | \$126,000  | \$75,000        | \$100,000             | \$301,000                  |
| Charity/Non-Profit | \$0        | \$0             | \$100,000             | \$100,000                  |
| Uncle Sam          | \$148,000  | \$0             | \$0                   | \$148,000                  |

Of the \$850,000 Mrs. Giver had to pass on she was able to effectively pass on \$702,000

|                    | <b>IRA</b> | <b>Roth IRA</b> | <b>Life Insurance</b> | <b>Total Each Received</b> |
|--------------------|------------|-----------------|-----------------------|----------------------------|
| Mary Giver         | \$94,500   | \$75,000        | 150,000               | \$319,500                  |
| Max Giver          | \$94,500   | \$75,000        | \$150,000             | \$319,500                  |
| Charity/Non-Profit | \$100,000  | \$0             | \$0                   | \$100,000                  |
| Uncle Sam          | \$111,000  | \$0             | \$0                   | \$111,000                  |

Of the \$850,000 Mrs. Giver had to pass on she was able to effectively pass on \$739,000

|                    | <b>IRA</b> | <b>Roth IRA</b> | <b>Life Insurance</b> | <b>Total Each Received</b> |
|--------------------|------------|-----------------|-----------------------|----------------------------|
| Mary Giver         | \$0        | \$75,000        | \$150,000             | \$225,000                  |
| Max Giver          | \$0        | \$75,000        | \$150,000             | \$225,000                  |
| Charity/Non-Profit | \$400,000  | \$0             | \$0                   | \$400,000                  |
| Uncle Sam          | \$0        | \$0             | \$0                   | \$0                        |

Of the \$850,000 Mrs. Giver had to pass on she was able to effectively pass on \$850,000

# Required Minimum Distributions

- Start at age 72
- Forces dollars from your IRA/401(k)/other qualified accounts, all of which you would need to pay taxes on
- UNLESS you donate your RMD to a charity

## Account Balances and Minimum Distributions\*

| Your Age | Uniform Life Expectancy | Minimum Distribution | Balance        |
|----------|-------------------------|----------------------|----------------|
| 70       | 27.4                    | \$36,496.35          | \$1,003,503.65 |
| 71       | 26.5                    | \$37,868.06          | \$1,005,775.74 |
| 72       | 25.6                    | \$39,288.11          | \$1,006,718.66 |
| 73       | 24.7                    | \$40,757.84          | \$1,006,229.56 |
| 74       | 23.8                    | \$42,278.55          | \$1,004,200.19 |
| 75       | 22.9                    | \$43,851.54          | \$1,000,516.66 |
| 76       | 22                      | \$45,478.03          | \$995,059.30   |
| 77       | 21.2                    | \$46,936.76          | \$987,924.91   |
| 78       | 20.3                    | \$48,666.25          | \$978,775.66   |
| 79       | 19.5                    | \$50,193.62          | \$967,733.06   |
| 80       | 18.7                    | \$51,750.43          | \$954,691.96   |
| 81       | 17.9                    | \$53,334.75          | \$939,544.88   |
| 82       | 17.1                    | \$54,944.15          | \$922,182.53   |
| 83       | 16.3                    | \$56,575.62          | \$902,494.21   |
| 84       | 15.5                    | \$58,225.43          | \$880,368.55   |
| 85       | 14.8                    | \$59,484.36          | \$856,098.93   |
| 86       | 14.1                    | \$60,716.24          | \$829,626.65   |
| 87       | 13.4                    | \$61,912.44          | \$800,899.27   |
| 88       | 12.7                    | \$63,062.93          | \$769,872.31   |
| 89       | 12                      | \$64,156.03          | \$736,511.18   |
| 90       | 11.4                    | \$64,606.24          | \$701,365.38   |
| 91       | 10.8                    | \$64,941.24          | \$664,478.76   |
| 92       | 10.2                    | \$65,144.98          | \$625,912.93   |
| 93       | 9.6                     | \$65,199.26          | \$585,750.19   |
| 94       | 9.1                     | \$64,368.15          | \$544,812.04   |
| 95       | 8.6                     | \$63,350.24          | \$503,254.29   |

This hypothetical example assumes:

1. A Beginning Balance of \$1,000,000
2. A rate of return of 4%
3. Numbers were entered through <https://www.bankrate.com/calculators/retirement/ira-minimum-distribution-calculator-tool.aspx> 5/21/19

Source:

<https://www.bankrate.com/calculators/retirement/ira-minimum-distribution-calculator-tool.aspx> 5/21/19

\*All distributions are assumed to be taken at the end of the year. If you have questions, please consult with your own tax advisor regarding your specific situation.



Why Give?



# Reasons Why We Give\*\*

- Trust
- Altruism
- Social
- Taxes
- Research indicates that giving activates pleasure centers in the brain.\*

\*<https://www.nih.gov/news-events/nih-research-matters/brain-imaging-reveals-joys-giving> 5/21/19

\*\*<https://www.psychologytoday.com/us/blog/the-empathy-gap/201711/six-reasons-why-people-give-their-money-away-or-not> 5/21/19



THANK YOU