A Guide to Planned Giving

~ Boys & Girls Clubs ~

What is Planned Giving?

- The integration of personal, financial and estate planning goals with lifetime or testamentary charitable giving.
- An opportunity for charitable giving in circumstances that may not otherwise allow a donor to make a gift to charity.

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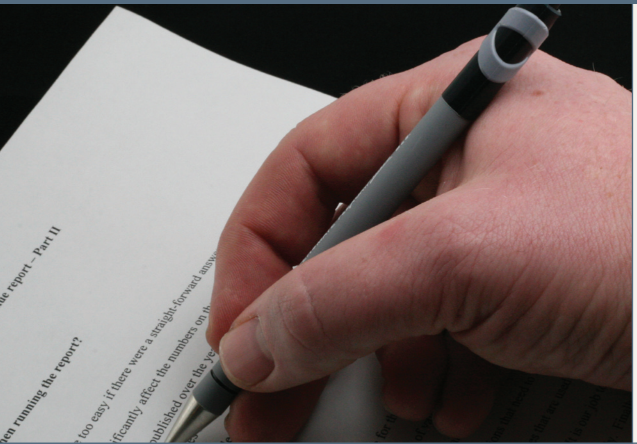

Bequest

A gift to charity at death. A bequest is the simplest type of planned gift to make and one of the easiest to implement.

The Need

Many people desire to benefit charity but are unable to donate property while they are alive. For example, a donor may have property that is needed during life to cover living expenses or rising health care costs.

A Solution

A donor can retain ownership and use of property during life and still benefit charity by leaving it to charity at death.

The Benefits

Gift to Charity

The charity receives cash or property.

Estate Tax Deduction

The amount given to charity is not subject to federal estate tax.

Preserves Lifetime Flexibility

The donor is able to use and control property while alive.

The Details

A donor can leave property to charity by including a bequest in his or her will or trust. Property that passes by a beneficiary designation (such as individual retirement accounts) can be left by designating the charity as a beneficiary.

Specific Asset Bequests

Many bequests transfer a specific item to a beneficiary. “I give my car to Joshua.”

Specific Amount

Another common transfer within a will is the gift of a specific dollar amount. “I give $1,000 to Sarah.”

Bequest of a Percent of the Residue

A fractional amount or percent of the residue may be transferred to charity. “I give 50% of the residue of my estate to Amanda.”

Undivided Percentage of Asset Bequests

A testator may bequeath or devise an undivided percentage of a particular asset. “I give half of my home to Brian.”

Gift Annuities

A gift annuity is an agreement where a donor makes a gift of cash or property and a charity agrees to make fixed payments to the donor for life.

The Details

A charitable gift annuity (CGA) is a contract between a donor and a charity.

Duration

A donor gives cash or appreciated property to charity. In exchange, the charity makes fixed payments for the lifetime(s) of one or two individuals.

Payout Rate

Gift annuity payments are based on a rate schedule. Many charities use rates set by the American Council on Gift Annuities (ACGA). Under the ACGA's rates, the older the age of the person receiving gift annuity payments, the higher the rate.

Taxation of Payments

A predetermined portion of each gift annuity payment is tax-free and the remaining amount of each payment is taxable at ordinary tax rates.

Timing

A gift annuity contract can begin making payments immediately (a current gift annuity) or defer payments for at least one year (a deferred gift annuity).

The Need

A donor wants to make a gift to charity but needs regular payments to supplement income.

A Solution

Donor and charity enter into a charitable gift annuity agreement.

The Benefits

Fixed Payments for Life

A gift annuity contract provides fixed payments to one or two individuals for life.

Partly Tax-Free Payments

A portion of each gift annuity payment to the donor is tax-free.

Rates by Age

Annual gift annuity payouts are based on the donor's age (rates are higher for older donors).

Tax Deduction

The donor receives a current federal income tax deduction for the present value of the gift to charity.

Charitable Remainder Trust

A charitable remainder trust receives cash or property from a donor, makes payments for a life, lifetimes or term of years and then distributes the remainder to charity.

The Need

A donor wants to turn appreciated property that produces little or no income into a productive asset without paying capital gains tax on the sale of the property.

A Solution

A donor contributes the appreciated property to a charitable remainder trust that will sell the property tax-free and then make payments for life or a term of years.

The Benefits

Bypass Gain

The trust sells property tax-free.

Increased Income

The trust pays a percentage of its value to the trust beneficiary.

Charitable Tax Deduction

The donor receives a current federal income tax deduction.

The Details

A donor transfers cash or appreciated property to the CRT. The CRT is a tax-exempt trust that can sell the appreciated property without paying capital gains tax.

Duration

A CRT can last for the lifetime of one or more beneficiaries or for a specific term of years.

Annuity vs. Unitrust Payout

A charitable remainder annuity trust (CRAT) pays a fixed dollar amount each year. By contrast, a charitable remainder unitrust (CRUT) pays an amount equal to a percentage of the trust value at the beginning of each year.

Taxation of Payouts

Most CRT payouts are taxed to the beneficiary as ordinary income and/or capital gain.

Payout Flexibility

A unitrust offers four flexible payout options. A standard CRUT pays a fixed percentage of the trust value. A net income trust (NICRUT) pays the lesser of the trust's net income or the standard amount. A net income with makeup trust (NIMCRUT) is like a NICRUT but can make additional distributions. Finally, a FLIP trust pays like a NIMCRUT until a certain date or event and then "flips" to payout like a standard CRUT.

Charitable Lead Trust

A charitable lead trust (CLT) receives cash or property from a donor and makes payments to charity for a specified period. At the end of the period, it distributes the trust property to a specified beneficiary, usually family.

The Details

A donor transfers cash or property to the CLT. Unlike a CRT, a CLT is a taxable trust. Each year the CLT will report its income and then take a deduction for the amount that it distributes to charity, any excess is subject to tax.

Duration

A CLT can last for the lifetime of one or more beneficiaries or for a specific term of years.

Annuity vs. Unitrust Payout

Each year, a CLT pays either a fixed annuity amount or available unitrust amount to charity.

Lead Trust Types

A family CLT receives property and usually distributes it to a family member at the end of the term. A gift tax deduction is available to a donor who creates a family CLT. A grantor CLT receives property that ultimately returns to the donor. The donor gets an income tax deduction when the trust is created. However, the donor has to report trust income on his or her personal income tax return each year.

The Need

A donor wants to give a gift to charity for a period and pay as little gift or estate tax as possible.

A Solution

A donor contributes property to a trust that will make distributions to charity for a specified term and ultimately distribute the property to the donor's family or be returned to the donor.

The Benefits

Pass Appreciation to Family

A donor gives property to a lead trust and that property plus growth passes to his or her family with no additional tax.

Gift or Estate Tax Deduction

A donor receives a current federal gift or estate tax deduction for the present value of the payments that will go to charity.

Life Estate Reserved

Charity accepts a gift of property – either a personal residence or farm – and the donor retains the right to use the property for his or her lifetime.

The Need

A person may desire to leave his or her house or farm to charity at death, but would like a current tax benefit.

A Solution

Donors can deed a house or farm to charity but keep the right to use the house or farm for their remaining lifetime.

The Benefits

Tax Deduction

The donor receives a current federal income tax deduction for the remainder value of the home or farm.

Preserves Lifetime Use

The donor is able to use and control the home or farm while alive.

The Details

A donor executes a deed transferring a house or farm to charity. In the deed, the donor retains a "life estate," that grants the donor the right to live in the home for life.

Duration

The life estate typically lasts for the life of the donor.

Deed Restrictions

The deed of the remainder interest to charity must not be restricted.

Mortgage

It is possible for a donor to make a gift of a remainder interest even though there is a mortgage upon the residence.

MIT Agreement

The donor agrees to be responsible for the maintenance, insurance and taxes on the property.

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