INTRODUCTION TO PLANNED GIFT OPPORTUNITIES AND TOOLS

Charitable estate and gift opportunities are available to everyone. Most of us if provided the opportunity would leave a legacy gift to show what was important in our lives and make a difference to others. Most planned gifts are made from a donor's assets and not their income. Normally three parties are involved in structuring major planned gifts: Donor(s), Advisors and Charity staff.

There are only three (3) types of gifts to charity: Outright gifts, estate gifts and life income agreements. There are many motivations for donors to make charitable gifts, but two motivations stand out for planned gifts: lowering taxes and trading assets for income.

Today, there are new ways to provide a legacy gift and experience the satisfaction of knowing you were able to make a difference for future generations. Below is a list of planned gift tools.

OUTRIGHT GIFTS

1. Immediate gifts of cash or securities, real property, or other assets to lower income or capital gains taxes.
2. A bargain sale of assets to charity to lower taxes but receive partial cash from proceeds when the asset sales.
3. Installment bargain sale of assets to lower taxes with payments over time.
4. Retained life estate is created when a donor transfers deed to real property, receive a calculated deduction to lower taxes but retains the right to live in the property for life.
5. Qualified Charitable Distribution (QCD) to charity from donor's IRA account providing donor is 70 1/2 or older at the time of the distribution. The amount of the distribution is limited to $103,000 in 2024 and never taxed to the donor.
6. QCD is now available to donors to make a one-time lifetime transfer of IRA assets of up to $53,000 (2024) to produce payments to donor and/or spouse for lifetime. No charitable deduction is granted but converting assets to fixed income via a charitable gift annuity or variable income in a charitable remainder trust may result in tax-smart estate planning.
7. Donors may have established a donor advised fund account (DAF) with the objective of seeding their philanthropic gifts for their senior years or to leave the DAF to others to continue their support of specific charities. Donors have already received the tax benefits when they created and funded the account so there are no additional tax benefits.

ESTATE GIFTING

1. Testamentary gifting of a specific amount or the residuum of an estate is the result of proper will and/or trust planning. Bequests allows the donor total control of assets during their lifetime. Donors may name the charity to receive a specific amount or a specific percentage of final assets. A contingent bequest takes effect only if all other conditions fail.
2. All retirement plans require individuals to name a beneficiary to receive assets and a charity may be named to receive a specific amount or a specific percentage of the account. Retirement plans may also name an individual to receive lifetime payments from a charitable gift annuity (CGA).

3. Testamentary wording may be used to provide income for friends and family via a charitable gift annuity or charitable remainder trust. Payments will be taxable to the beneficiary but upon the last death charity receives the residuum.
4. Beneficiary designations may also be established for distribution of life insurance policies to charity.
5. Life estate mentioned above is a testamentary gift established during life to generate an income tax deduction to lower taxes.
6. Paid on Death or Transfer on Death – a type of account registration which directs assets to a named beneficiary which may be an individual or a charity. Like a simple bequest, the beneficiary designation may be for a specific amount or a percentage of the account.

LIFE INCOME AGREEMENTS

Creating life income arrangements allows a donor to increase their income while decreasing their taxes.

1. A Charitable Gift Annuity (CGA) is America's most popular life income agreement as it provides fixed guaranteed payments for life to one or more individuals. Rates are established by the American Council on Gift Annuities (ACGA). Normally funded with $10,000 or more. Only qualified charities may set up gift annuities and only the charity establishing the agreement upon the death of the annuitants receives the current account value.
2. Charitable Remainder Trusts (CRT) are normally established and individually designed to meet the donors' specific income and charitable objectives. Initial amount of funding is $250,000 or more. The CRT may provide for variable or fixed income for life or for a term of years. When the last beneficiary dies the CRT then distributes proceeds to one or more charities.

This information is a service of Connell & Associates. For a confidential proposal for any charitable estate or life income gift send details to the email address below.

ABOUT JAMES E. CONNELL

James E. Connell FAHP, CSA of Connell & Associates, Pinehurst, North Carolina, is a respected gift planning consultation firm with over four decades of experience offering a broad range of charitable estate and gift planning services to non-profits throughout the country. He heads CONNELL & ASSOCIATES, Charitable Estate & Gift Planning Specialists in Pinehurst, North Carolina. Contact him to help your organization analyze the value CGAs may provide.

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