

# Gift Planning Quick Guide



# Gift

# How and Why

## OUTRIGHT GIFTS

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<b>Cash</b>	Write a check or use a credit card. Easy to make; qualifies for an income tax charitable deduction for full amount of gift.
<b>Securities</b>	Typically, transfer to charity an appreciated asset (stocks, bonds) held for more than one year. Qualifies for an income tax charitable deduction for full fair market value; no capital gains tax payable on asset's appreciated value.
<b>Closely Held Stock</b>	Business owner gives stock to charity, then corporation may repurchase same stock in an arm's length transaction. The fair market value of the stock qualifies for a charitable deduction; no capital gains tax.
<b>Tangible Personal Property</b>	Donate property to charity. Income tax charitable deduction for full fair market value if gift property used by charity for its exempt purposes (otherwise, deduction limited to adjusted cost basis). Qualified appraisals often necessary.

## LIFE INCOME PLANS

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<b>Charitable Gift Annuity</b>	Assets (usually cash or securities) donated to charity in exchange for fixed annuity payments. The gift portion of the donation qualifies for an income tax charitable deduction; part of payments may be tax-free return of principal; capital gains tax on the transfer is spread over the donor's life expectancy if donor is the annuitant.
<b>Charitable Remainder Annuity Trust (CRAT)</b>	Set up trust that pays specific annual benefit for life of beneficiary(ies), or for a period up to 20 years; trust property transferred to charity when benefits end; usually funded with cash or securities. Qualifies for an income tax charitable deduction; possibly bypasses capital gains tax when funded with long-term appreciated property.
<b>Charitable Remainder Unitrust (CRUT)</b>	Similar to CRAT, except income amount varies each year as trust assets are revalued; may be funded with cash, securities, and other assets. Same benefits as CRAT. Different funding and payout options (unlike a CRAT).

## REVOCABLE GIFTS

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<b>Bequest</b>	Use a will to direct property to a charity at death. Estate tax charitable deduction for the value of the gift; the donor retains lifetime use and control of property intended as a bequest.
<b>Revocable Living Trust</b>	Set up a trust that directs the disposition of assets, including gifts to charity; the trust can be revoked or changed. Minimizes costs and delays of probate; facilitates transfer of assets; plan is private, not public (unlike a will); continuity of asset management in the event of death or disability.
<b>Retirement Plan Assets</b>	Charity named as beneficiary of retirement plan assets (other arrangements also possible). This may have estate planning benefits, because income in respect of a decedent (IRD) is taxable to heirs but not to charities.

## OTHER GIFTS

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### **IRA Gift**

IRA owners 70½ or over order a transfer from the IRA directly to our organization. Money directed to a qualified charity is excluded from the donor's gross income for federal tax purposes (up to \$100,000), but counts towards the donor's annual required minimum distribution (RMD) if one is due. IRA contributions after age 70½ reduce qualified charitable distribution amounts.

IRA owners 70½ or over make an IRA distribution to create a charitable gift annuity or charitable remainder trust. This is a new one-time option beginning in 2023, and the tax-free distribution (up to \$50,000) counts toward the donor's RMD.

### **Donor-Advised Fund**

The donor makes an irrevocable contribution to a restricted fund maintained by a charitable organization. The full amount of the gift qualifies for a charitable income tax deduction; the donor may advise regarding fund distribution, but may not place material restrictions on the fund.

### **Retained Life Estate**

A form of real estate gift in which the donor retains the right to live in the property for life. Qualifies for an income tax charitable deduction based on the present value of the remainder interest that will eventually go to charity.

### **Charitable Lead Trust (CLT)**

Charity receives annual trust income; trust principal reverts to donor or beneficiaries at end of trust term. Qualified CLT may qualify for a gift tax or estate tax charitable deduction or for an income tax charitable deduction, depending on type of CLT.

### **Life Insurance**

Give a life insurance policy to charity, or designate a charity as beneficiary of the policy, or use a policy as a wealth replacement tool in tandem with a CRAT or CRUT. Possible income tax charitable deduction for the donated policy.