NORTHERN TRUST

A PRESENTATION FOR:

ESTATE PLANNING COUNCIL OF NORTH TEXAS

GIVING TODAY PLANNING FOR TOMORROW

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WAYS TO GIVE TO SUPPORT A NONPROFIT

Giving is emotional – Working with legal counsel and tax advisors, donors can find the most tax-efficient solution for satisfying their charitable goals.

RECURRING MONTHLY DONATION	ANNUAL FUND GIVING	MAJOR GIFTS	PLANNED GIVING

STRATEGIES FOR "IMMEDIATE" CHARITABLE DONATIONS

APPRECIATED SECURITIES

DONOR ADVISED FUNDS

IRA CHARITABLE ROLLOVER

2023 YEAR-END TAX PLANNING CHECKLIST

When it comes to year-end planned for charitable giving, the following checklist is intended to help individuals with charitable intent to identify topics to consider in consultation with a trust advisor.

PHILANTHROPIC CONSIDERATIONS

- Consider bunching charitable gifts (perhaps using a donor advised fund) and itemize your deductions the year you bunch, taking the standard deduction in years you do not bunch.
- Evaluate the impact of various charitable contributions to maximize income tax deductions.
- Consider donating appreciated capital gain assets that have been held for more than one year, rather than cash to avoid realizing any capital gains.
- For donors age 70½ and older, consider making a gift of up to $100,000 to qualified charities directly from your traditional IRA as a qualified charitable distribution (QCD). The QCD will satisfy your required minimum distribution (RMD) for the year, but distributions directly to qualifying charities of up to $100,000 per taxpayer, per year, will be excluded from your AGI even if it exceeds the RMD.
- Remember that the owner of an inherited IRA must also be age 70½ to use the QCD rules.
- Review beneficiary designations in bank accounts, brokerage accounts, life insurance policies, 401Ks, and IRAs and update as necessary to demonstrate charitable intent.

HOW TO GIVE – A DIRECT GIFT OF APPRECIATED STOCK

Donors can gift appreciated stock to support a charity TODAY.

No Capital Gains
No taxes apply at the time of the gift

Simple
Little effort to transfer

Deduction Limits
Stock gifts are treated differently from cash gifts

ADVANTAGES FOR DONORS

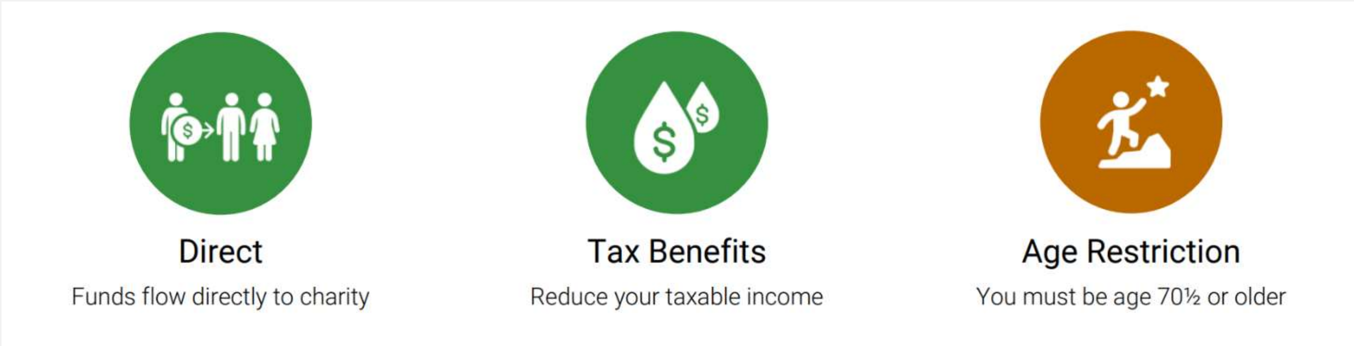
- Donations are deductible from federal income tax if donor itemizes deductions

CONSIDERATIONS FOR DONORS

- Donated assets are removed from the donor's estate
- Donor loses access to assets for personal needs
- Stock needs to be a marketable security

HOW TO GIVE – AN IRA QUALIFIED CHARITABLE DISTRIBUTION

Donors can support a charity TODAY and meet their required minimum distribution (RMD) with an IRA QCD.



CONSIDERATIONS FOR DONORS

- Gifts can only be made to IRS-Qualified public charities
- Some IRAs may not qualify (Active SEP and SIMPLE IRAs)
- QCD up to $100,000 annually
- Permits one-time gift of $50,000 to certain charitable giving vehicles
- DAF is not eligible to receive an IRA QCD.

CHARITABLE GIVING FUNDING ALTERNATIVES

Whether a donor has a concentration of highly appreciated stock, a family business or an art collection, it is important to understand the implication of each potential funding for charitable giving.

EXAMPLES OF FUNDING ALTERNATIVES

CASH AND LONG-TERM APPRECIATED PUBLICLY TRADED STOCK	CLOSELY HELD STOCK, INCLUDING S CORPORATION STOCK	APPRECIATED LONG-TERM REAL ESTATE	COLLECTIONS OF ART, COINS AND OTHER VALUABLE PERSONAL PROPERTY
PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY	RETIREMENT ASSETS	EMPLOYEE STOCK OPTIONS	FUNDING PHILANTHROPIC TRANSFERS

WHAT IS PLANNED GIVING?

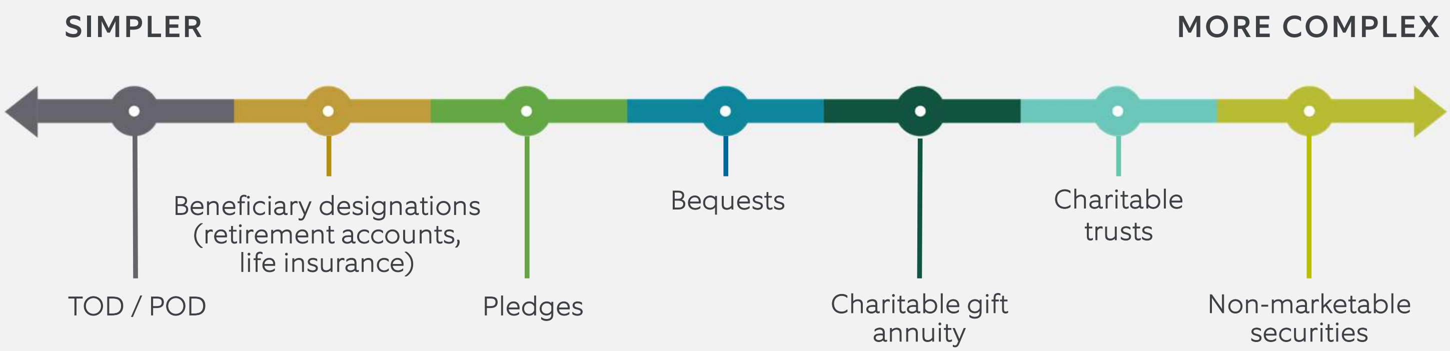
Planned giving is the allocation of resources in support of a nonprofit organization gifted during a person's life or upon death, as part of his/her overall wealth or estate plan.

ELEMENTS OF A PLANNED GIFT

- Usually involves assets accumulated over life rather than current income
- Usually larger in scale than an annual gift or a major gift
- May involve a legal instrument such as a charitable remainder trust
- May span a number of years such as a pledge for a capital campaign
- Facilitated with sound advice from a financial planner

WHAT ARE SOME COMMON PLANNED GIVING VEHICLES?

Complexity is somewhat dependent upon whose perspective you consider.



BENEFICIARY DESIGNATIONS

In its simplest form, Transfer on Death ("TOD") and Payable on Death ("POD") accounts allow the donor to name a beneficiary.

ADVANTAGES FOR DONORS

- Simple to execute with a beneficiary designation form
- Revocable
- Common TOD accounts are brokerage accounts, stocks and bonds
- Common POD accounts are checking or savings accounts and certificates of deposit

CONSIDERATIONS FOR DONORS

- Supersede a will or trust
- May be subject to claims by creditors

BENEFICIARY DESIGNATIONS

Beneficiary designations such as tax deferred retirement accounts in IRAs and 401(k)s, are tax efficient choices for gifting upon death

ADVANTAGES FOR DONORS

- Simple to execute with a beneficiary designation form
- Revocable
- Funds left to a non-profit are not subject to income taxes when withdrawn; if same funds are left to family, income taxes become
  a consideration
- Possible to split an account between a non-profit and family

CONSIDERATIONS FOR DONORS

- Assets left to a non-profit are not available to human beneficiaries

ADVANTAGES FOR THE CHARITY

- Prime candidates could be donors with a keen appreciation of tax efficient planning but a hesitancy to give assets away during lifetime.

LIFE INSURANCE BENEFICIARY DESIGNATIONS

Gifts of life insurance are relatively easy to accept.

ADVANTAGES FOR DONORS

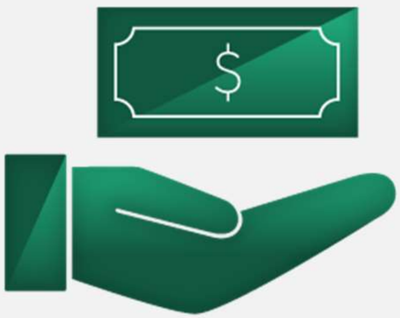
- Revocable
- If the policy is paid up and no further premiums are required, the donor can make the non-profit the owner of the policy

ADVANTAGES FOR THE CHARITY

- Prime candidates are donors who would not make a sizeable gift any other way.

THE CHARITABLE PLEDGE

A charitable pledge is a promise by a donor to contribute cash or other assets.



CONSIDERATIONS FOR DONORS

- Statement of intent to make a gift to charity of $X per year for Y years
- Donor reluctance to sign irrevocable gift agreement or enforceable pledge

CONSIDERATIONS FOR THE CHARITY

- Enforcing a binding pledge
- Binding pledges are accounting assets
- Issues with naming rights

THE CHARITABLE BEQUEST

A charitable bequest is a provision in a will, trust or estate plan that allocates a gift to a designated charity. The most common bequests are a specific amount, a percentage amount or a remainder amount.

ADVANTAGES FOR DONORS

- Revocable
- Recognition by the non-profit in a legacy society

ADVANTAGES FOR THE CHARITY

- Bequests represent a “win-win” opportunity as 85% of all planned gifts are bequests, and in most cases, the non-profit knows nothing about the donor’s plan or how the bequest is intended to be used.
- Donor and prospect cultivation regardless of income level
- Establishment of a legacy society and donor recognition prior to receiving the bequest

THE CHARITABLE GIFT ANNUITY ("CGA")

A charitable gift annuity is a contractual agreement between one or two donors and a charity. The donor(s) transfer assets as a gift to the charity and in return, the charity is obligated to pay a fixed annuity to one or two annuitants, for the lifetime of the annuitant(s).

ADVANTAGES TO DONORS

- Contract is easy to understand and complete
- Immediate income tax deduction for a portion
  of the charitable gift for those who itemize
- Fixed lifetime income stream with some tax free income
- If marketable securities are gifted, capital gains taxes may be allocated over the life of the annuity
- Donor's estate can take unrecovered investment in contract as deduction on donor's final income tax return

CONSIDERATIONS FOR DONORS

- Gift is irrevocable
- If the annuitant is someone other than the donor, the donor is making two gifts:
  - *The first is the gift of the remainder interest to the charity which is deductible for gift*
    tax purposes
  - *The second is a taxable gift to the non-donor annuitant*
- Beginning in 2023, there is a new option for QCDs. There is a one-time opportunity to use a QCD to contribute up to $50,000 to a charitable gift annuity. These differ from regular QCDs because the donor can benefit through an annuity for life.

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ADVANTAGES TO THE CHARITY

- Efficient way to administer a large number of smaller denominated gifts
- Gifts of cash or appreciated marketable securities to establish a CGA are clear and understandable
- Gift is irrevocable
- CGA program will promote long-term relationships with donors
- Repeat gifts are likely

CHALLENGES FOR THE CHARITY

- Another charity offers higher rates than the recommended ACGA rates
- Contribution is exhausted before payment obligation ends (annuitant outlives his or her life expectancy)
- Gifts of other types of assets, such as real estate, are more complex (Recommendation: In the charity's gift acceptance policy, it is advisable to be clear what will or will not be accepted to fund a CGA.)
- Charity has to be compliant with state registration and its regulations.

THE CHARITABLE REMAINDER TRUST ("CRT")

A charitable remainder trust is an irrevocable trust that generates a potential income stream for the donor or other beneficiaries, with the remainder of the donated assets going to a charity or charities.

ADVANTAGES TO DONORS

- Provides a more significant gift during one's lifetime that might not be possible through an outright gift
- Funds the CRT with cash, publicly traded marketable securities, closely held stock, real estate, limited partnerships, in-kind, tangible and intangible personal property, OGM
- Advantages of Charitable Remainder Unitrust (CRUT)
  - *Payout reflects appreciation and depreciation in trust assets, so annual payments will fluctuate*
  - *Additional contributions are permitted*
- Advantages of Charitable Remainder Annuity Trust (CRAT)
  - *Valuation is done at the creation of the trust and payment is fixed*
  - *Additional contributions are not permitted*

CONSIDERATIONS FOR DONORS

- A CRT requires document drafting, appraisals and ongoing administrative costs
- For a CRUT, the annual valuation may cause payments to decrease
- For a CRAT, additional contributions are prohibited and if principal declines in value, the trust could be depleted.

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ADVANTAGES TO THE CHARITY

- Enhances donor and prospect cultivation
- Provides for sizable gifts to the charity
- Potential to invest CRTs in charity's endowment if a private letter ruling is issued by the IRS to commingle the assets of the CRTs with the endowment

CHALLENGES FOR THE CHARITY

- Will the charity serve as trustee or as co-trustee?
- If serving as trustee, will the charity require that it is the sole remainder beneficiary?
- Who will administer the trust?
- Who will manage the investments?
- Are the proposed funding assets acceptable?

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