



# Planned Giving

*For Beginners*

# WHAT IS PLANNED GIVING?

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**The integration of personal, financial and estate planning goals  
using lifetime or testamentary charitable giving with benefits to the donor**

## **ANNUAL GIVING VS. PLANNED GIVING**

### **ANNUAL GIVING**

*"All or Nothing"*

### **PLANNED GIVING**

*"Something for Everyone"*

## **COMMON TYPES OF PLANNED GIFTS**

Bequest

Charitable Gift Annuity (CGA)

Charitable Remainder Trust (CRT)

Charitable Lead Trust (CLT)

Life Estate Reserved (Gift of Remainder)

Bargain Sale

## **THE NEED**

Many people desire to support charity but are unable to donate property during their lifetime. For example, a donor may have property that is needed during life to cover living expenses or rising health care costs but may be able to donate this property through his or her estate.

## **THE SOLUTION**

Donors can retain ownership and use of property during life and still benefit a charitable organization by leaving it to charity at the time of their death.

## **THE BENEFITS**

### ***Gift to Charity***

The charity receives cash or property.

### ***Tax Deduction***

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

### ***Flexible***

Donors are able to use and control property during their lifetime.

## **THE DONOR**

Bequests are gifts that anyone can make.

# BEQUEST

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

## **THE DETAILS**

A donor can leave property to charity by including a bequest in his or her will or trust. Property that passes through 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 what is left of the estate 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."*



## **THE NEED**

A donor wants to make a gift to charity and receive fixed income for the future.

## **THE SOLUTION**

Donor and charity enter into a charitable gift annuity agreement.

## **THE BENEFITS**

### ***Fixed Payments for Life***

Fixed payments to one or two individuals for life.

### ***Tax-Free Payments***

A portion of each payment may be tax free.

### ***Rates by Age***

Payout rates are based on the annuitant's age.

### ***Tax Deduction***

Donor receives a federal income tax deduction.

## **THE DONOR**

Person who desires fixed payments for life. Beneficial for persons with cash or appreciated property that produces little or no income.

# GIFT ANNUITY

**An agreement through which a donor makes a gift of cash or property and a charity agrees to make fixed payments for one or two individuals.**

## **THE DETAILS**

A Charitable Gift Annuity (CGA) is a contract between a donor and a charity. In exchange for a gift of cash or property, the charity agrees to make fixed payments to the donor for the remainder of his or her life.

### ***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 the 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 either capital gain or ordinary income 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 desires to change appreciated property that produces little or no income into a productive asset without paying capital gains tax on the sale of the property.

## **THE SOLUTION**

A donor contributes appreciated property to a Charitable Remainder Trust that will sell the property tax free and make payments for the donor's lifetime or a specified 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.

### ***Tax Deduction***

The donor receives a current federal income tax deduction.

## **THE DONOR**

A donor with cash or appreciated property with a value of at least \$100,000 who desires income and bypass of capital gains.

# CHARITABLE REMAINDER TRUST

Receives cash or property from the donor, makes payments for the donor's lifetime or a specified term of years, then distributes the remainder to charity.

## **THE DETAILS**

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

### ***Duration***

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

### ***Annuity vs. Unitrust Payout***

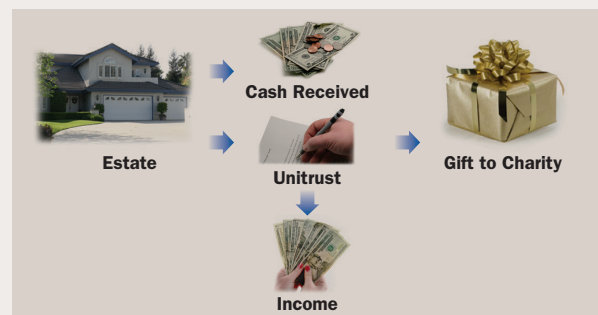
A Charitable Remainder Annuity Trust (CRAT) pays a *fixed dollar amount* each year. By contrast, a Charitable Remainder Unitrust (CRUT) pays an amount equal to a percentage of the trust value at the beginning of each year.

### ***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 Unitrust pays a fixed percentage of the trust value. A Net Income Unitrust (NICRUT) pays the lesser of the trust's net income or the standard amount. A Net Income with Makeup Unitrust (NIMCRUT) is like a NICRUT but can make up distributions. Finally, a FLIP Trust pays like a NIMCRUT until a certain date or event then "flips" to pay out like a standard unitrust.



## **THE NEED**

A donor wants to make a gift to charity for a period of time, then transfers an asset to family (and pays minimal gift or estate taxes).

## **THE SOLUTION**

A donor contributes property to a trust that will make distributions to charity for a number of years and ultimately distribute the property to the donor's family.

## **THE BENEFITS**

### ***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.

### ***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.

## **THE DONOR**

A person who wants to pass specific property with growth to family at reduced gift or estate tax cost.

Ideal for a person with an estate of \$3 million or more.

# FAMILY LEAD TRUST

**Receives cash or property from a donor and makes payments to charity for a specified period, then distributes the trust property to a designated beneficiary.**

## **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 take a deduction for the amount that it distributes to charity. Any excess income is taxable.

### ***Duration***

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

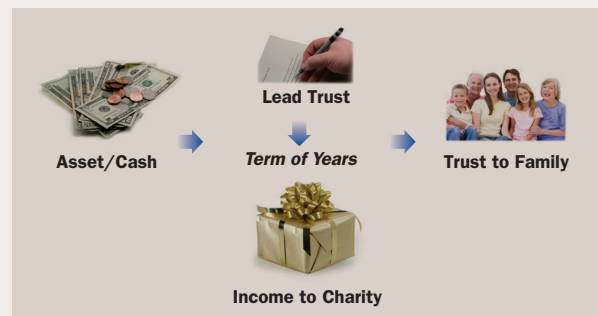
### ***Annuity vs. Unitrust Payout***

Each year, a CLT pays either a fixed annuity amount or a percentage Unitrust amount to charity. A Charitable Lead Annuity Trust (CLAT) pays a *fixed amount* to charity each year. A Charitable Lead Unitrust (CLUT) pays a *different amount* each year to charity; this amount is equal to a fixed percentage of the trust value at the beginning of the year in which the payment was made.

### ***Lead Trust Types***

A family CLT receives property and usually distributes it to the beneficiary at the end of the term. A gift tax deduction is available to a donor who creates a family CLT.

Another typical Lead Trust is a Grantor CLT. A Grantor CLT receives property that ultimately returns to the donor, who 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 person may desire to leave his or her house or farm to charity at death but would like a current tax benefit.

## **THE SOLUTION**

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

## **THE BENEFITS**

### ***Tax Deduction***

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

### ***Preserves Lifetime Use***

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

## **THE DONOR**

Donors who want to remain living in their homes and desire a current income tax deduction.

# 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 DETAILS**

A donor executes a deed transferring a house or farm to charity. On the deed, the donor retains a “life estate” that grants the donor the right to use the home for life. At the time of the gift, the donor and charity enter into a Maintenance, Insurance and Taxes (MIT) agreement.

### ***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.



## **THE NEED**

Many people desire to sell their property and also make a gift to charity.

## **THE SOLUTION**

A charity can buy the property at a bargain price or agree to accept the donor's property subject to the mortgage.

## **THE BENEFITS**

### ***Immediate Benefits***

The donor gets a cash payment or debt relief.

### ***Bypass Gain***

The donor avoids gain on the part of the property that is a gift.

### ***Tax Deduction***

The donor receives a current federal income tax deduction for the part of the property given to charity.

## **THE DONOR**

Anyone that owns appreciated property and wants to benefit charity but needs a benefit in return (either cash or debt relief).

# BARGAIN SALE

**Charity purchases property for less than fair market value or accepts a gift of mortgaged property.**

## **THE DETAILS**

A bargain sale works just like any other sale except that the sale price is a bargain (less than the property is worth). The donor transfers an asset to charity and receives less than fair market value in return.

### ***Charitable Deduction***

The donor receives a charitable deduction for the difference between the fair market value of the property transferred and the cash received in the bargain sale.

### ***Cash or Debt Relief***

A donor sells the property to charity and receives a cash payment or debt relief.

### ***Bargain Sale***

The donor receives the cash or debt relief they desire, and the charity receives a valuable property for a payment of less than the fair market value price. The difference between the sale price and the appraised value of the property is a gift to the charity.

