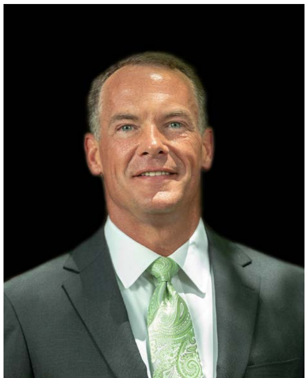
Charitable Giving... Leaving a Legacy and Helping Others



"Your Green"
Roger Green, MSFS, CFP©
Green Financial Resources

Are you at the point in your life where you are seeking alternative ways to provide funds or leave a portion of your estate to support a cause close to your heart? Many people make gifts or bequests to charitable organizations for a number of reasons. Some of the more common motivations would include the following:

- Compassion for those in need.
- Religious and spiritual commitment
- Perpetuation of one's beliefs and values
- Support for the arts, sciences and education
- A desire to share one's blessings with others.

Whatever your reasons for giving, the U.S. tax law is designed to encourage giving when gifts are made to a qualified charity. Although the rules are quite complex and subject to change over time, there are considerable tax savings that may occur if the giving is handled appropriately for your situation. You have many options, but here are a few to consider:

Outright gift of Money or Real Estate - The donor receives a tax deduction and can avoid capital gains taxes. There are ways to donate property, such as a second home, and this can even be done in a way where you may retain the right to use the property during your lifetime or to retain the income stream from an asset during your lifetime.

Bequest by Will - Denote a portion of your estate or a piece of property be given directly to your designated cause upon your death.

Gift of Appreciated Stock - Receive a tax deduction on the full market value of appreciated stock, while avoiding the capital gains tax that would otherwise arise from the sale of this stock.

Gift of Life Insurance - When your children were young, you may have needed life insurance to provide for your family in the event of death. If your children are older, doing well, and your spouse is provided for; consider giving your life insurance policy to a charity and potentially receive a significant charitable tax deduction. Some people have had policies for so many years they can choose to stop paying the premiums and maintain a sizeable death benefit that will leave a wonderful legacy when they pass. You may also designate a favorite charity as a beneficiary on your life insurance policies; donating part or all of the proceeds upon your death.

Charitable Remainder Trust - When the estate owner retains the right to the income but transfers his or her rights in the remainder to a trust, it is called a charitable remainder trust, and this is yet another way assets can be shared with others.

Charitable Lead Annuity Trust - A donor may transfer assets into an irrevocable Charitable Lead Annuity Trust (CLAT). The trust then pays a fixed dollar amount to a qualified charity for either a set number of years or the lifetimes of individuals. When the trust term has ended, the remaining assets are distributed to the donor, his/her spouse, heirs or others. Some of these are set up as non-grantor basis, with the ultimate beneficiary being someone other than the donor or his/her spouse. Such CLATs typically provide no income tax deduction to the donor, but do provide a means of transferring assets to children or grandchildren, with substantial valuation savings that help to reduce estate taxes.

Charitable Gift Annuity - When a donor transfers an asset to a qualified charity in exchange for an income for one or two lives, it is called a Charitable Gift Annuity. The income tax deduction from this arrangement will vary depending on the payout rate, the applicable tax rate, and the age of the donor. The annual payment is set at the time the gift is made, but once the donor or other named beneficiary dies, the charity has no further financial obligations to pay.

Helping Family Before You Die - Sometimes people don't have a specific cause they want to donate to, but they do want to leave their remaining assets to their children or even help support aging parents – or they want to do both. If you have sufficient assets, I suggest you consider gifting at least some of your wealth while you are still alive. Why should your loved ones look forward to the legacy your death will bring versus you being able to witness the happiness of sharing your blessings with them while you are still around to enjoy it? While I do not generally recommend that parents take from their needed retirement reserves, I do recommend they consider gifting to their adult children while they are still alive to help them with things like the purchase of a new home or car, paying for a family trip they otherwise couldn't afford, or even just gifting an amount periodically to enhance their lives in some way. Perhaps you want to incentivize by gifting as various adult goals and milestones are achieved – such as graduation from college or obtaining an advanced degree, marriage, a certain anniversary or birthday, or the birth of a child.

Any individual can accept a gift up to the federal gift tax exclusion amount, which is $15,000 per year for 2019, without the giver incurring a tax penalty or having to report the gift. Gift givers can subtract amounts greater than $15,000 from a lifetime exemption amount (without having to pay taxes on it). This is known as the unified credit. This amount is $11.4 million per person in the 2019 tax year ($22.8 million for married couples), up from $11.18 million in 2018. However, givers must report these gifts to the IRS by filing a gift tax return, or Form 709.

Other kinds of gifts that are exempt and are not taxable include:

- Gifts to charities approved by the IRS
- A gift to your spouse (as long as he/she is a US Citizen)
- A gift to cover someone's education tuition, if paid directly to the educational institution (does not cover gifts to cover room and board, books or supplies)
- Gifts to cover someone's medical expenses, if paid directly to the medical facility.[4]

There are many ways to accomplish your charitable giving and gifting goals. These are only a few, stated in a highly simplified fashion. Whatever gifting or giving strategy you choose, planned giving can be very rewarding. It's wonderful to see your gift at work, or to leave a legacy - and to receive tax benefits as well.

Please consult an estate attorney, tax professional, or a financial professional, such as myself, for assistance in planning to meet your charitable giving, gifting, and other financial and estate planning goals. Call my office at 770.931.1414 to schedule an appointment for your complimentary consultation or visit my website at www.rogersgreen.com.

This is not to be construed as legal or tax advice. Please see the legal advice of an estate planning professional and the tax advice of a tax accounting professional before implementing these or other charitable giving strategies.

[1] U.S. Social Security Administration. [2] U.S. Courts, Bankruptcy Statistics 12-month period ending Dec. 2007 [3] Council for Disability Awareness [4] SmartAsset.com