Planned Giving

Craig C. Wruck

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Agenda

• What is planned giving?
• Why should your clients care?
• What is Leave A Legacy?
• Example: Gift of Appreciated Property
• Example: Charitable Remainder Unitrust
• What can you expect from the charity?
What is it?

Generally:
• Any charitable contribution carefully planned to take full advantage of tax incentives

Specifically:
• Contributions made at death such as bequests and beneficiary designations
• “Split interest” gifts such as charitable remainder trusts where the remainder is left to charity
Why should you care?

- 70% of Americans do not have an up-to-date estate plan
- 50% of Baby Boomers have no estate plan at all
- 90% of American adults make charitable contributions every year
- 6% include a charitable bequest in their estate plan

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What is Leave A Legacy?

• A collaboration of nonprofit organizations encouraging everyone to support charitable organizations through their estates
• A public information campaign to promoting thoughtful estate planning for everyone

“Start where you are, use what you have, and do what you can.”
Personal Wealth

- Stocks & Bonds: 32%
- Real Estate: 44%
- Personal Property: 12%
- Retirement Accounts: 10%
- Cash: 2%

[Image of pie chart with percentages]
Assume a donor in the 28% Federal income tax bracket is considering a contribution of $10,000. She could either make a cash gift or contribute appreciated securities with a cost basis of $2,000 ($8,000 gain).

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Cash</th>
<th>Securities</th>
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</thead>
<tbody>
<tr>
<td>Contribution</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Income taxes saved</td>
<td>2,800</td>
<td>2,800</td>
</tr>
<tr>
<td>Capital gains tax avoided</td>
<td>- -</td>
<td>1,200</td>
</tr>
<tr>
<td>After tax cost of gift</td>
<td>$7,200</td>
<td>$6,000</td>
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</table>
Charitable Remainder Trust

- Irrevocable tax-exempt trust that pays annual income, then distributes remainder to charity
- Trustee must balance income and remainder interests; can be charity, donor, or others
- Income varies, it is a fixed percentage of value of trust fund, revalued annually
- Current income tax charitable deduction
- No capital gains tax on transfer to trust
Charitable Remainder Trust

- Donor couple ages 76 and 75
- $500,000 contribution
  - Stock worth $400,000 with $75,000 basis
  - Money market fund worth $100,000
- Current total investment return averages 6% (2% income plus 4% growth)
- Trustee can produce similar investment returns
- Charitable Remainder Unitrust payout is 5%
Charitable Remainder Unitrust

- $250,355 income tax charitable deduction with up to five-year carry forward
  - Saves $86,863 in income taxes assuming 28% bracket
- No tax on the $325,000 capital gain transferred to the trust
  - Saves $74,441 in capital gains taxes
- First year income increases to $25,000
  - $15,000 more than current year
# Charitable Remainder Unitrust

<table>
<thead>
<tr>
<th></th>
<th>5% CRUT</th>
<th>Sell &amp; Reinvest</th>
<th>Kept Intact</th>
</tr>
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<tbody>
<tr>
<td>Beginning principal</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
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<tr>
<td>Capital gains tax paid</td>
<td>-0-</td>
<td>$74,441</td>
<td>-0-</td>
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<tr>
<td>Net to invest</td>
<td>$500,000</td>
<td>$425,559</td>
<td>$500,000</td>
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<tr>
<td>Charitable deduction</td>
<td>$250,355</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Income taxes saved</td>
<td>$86,863</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Total after-tax income</td>
<td>$322,449</td>
<td>$239,804</td>
<td>$145,523</td>
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<tr>
<td>(over 16 years)</td>
<td></td>
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<tr>
<td>Remainder</td>
<td>$586,289</td>
<td>$499,001</td>
<td>$936,491</td>
</tr>
<tr>
<td>(to community or family)</td>
<td></td>
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</tbody>
</table>
What can you expect?

• We are advocates for our organizations
  • But we are not financial advisors or estate planners
• We are committed to helping our donors (your clients) to fulfill their charitable passions
  • Even when that means a gift to another organization
• We will present our organizations’ priorities in convincing and persuasive ways
  • But in the end the donors’ intentions always rule
• We will make creative suggestions and encourage our donors to act on their passions
  • We will always urge them to seek professional advice
More information

www.leavealegacyhumboldt.org
(707) 442-2993