Thompson & Associates
Values-Based Estate Planning

TIP SHEET FOR NONPROFITS

6 Planned Giving Options to Offer Donors

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Planned giving offers donors a way to help now, often without money immediately changing hands. It can be attractive during a financial downturn because it enables donors to maintain financial security, while still helping the organization. Planned gifts are beneficial to an organization, but also provide great flexibility to the donor. They can be revocable or irrevocable. They can be for a set amount or a percentage of an estate (thus adjusting to ups and downs). They can also be used as a "plan b" when a donor is uncomfortable with making an outright gift in a volatile environment.

1 Charitable Gift Annuity

A Charitable Gift Annuity involves a contract between a donor and a charity. A donor makes a sizable gift to charity and in return receives fixed payments for life (or joint lives) from the charity. The amount of the gift in excess of the value of the annuity is a deductible charitable gift. During the last dramatic drop in the market, some large, stable organizations reported receiving exceptionally large CGAs.

2 Retained Life Estate Gift in Homes & Farmland

A donor can get an immediate tax deduction for donating the inheritance rights to a personal residence or farmland to charity. This is done by signing a deed that transfers the remainder interest to the charity and retains the "life estate" for the donor. The tax deduction for this gift is higher when interest rates are lower.

3 "Estate-tax planning" Charitable Lead Annuity Trust

Although few and far between, some estates are large enough to be subject to estate taxation. These donors can take advantage of a non-grantor Charitable Lead Annuity Trust (CLAT). The donor transfers assets to the CLAT and the CLAT pays an annual fixed amount to a charity for a set number of years with the remainder going to select heirs. Low interest rates make these a tax-efficient way to gift assets to heirs, while also helping charity.

4

"Income-tax planning" Charitable Lead Trust

The grantor CLAT allows a donor to take an immediate tax deduction for many future years' worth of donations. The donor transfers an asset to the CLAT large enough to pay for the future donations, and then gets back whatever is left over at the end. The size of the deduction will be much larger when interest rates are low.

5

Charitable Swap of Stock

A donor gives appreciated stock instead of cash. The cash that would have been donated is instead used to immediately purchase identical replacement stock. The stock portfolio doesn't change at all. But the capital gain is wiped out of the portfolio because the old (gain) stock is replaced with identical new stock purchased at the current market value. This can be done even in a down market if the donor still has stock worth more now than when purchased.

6

CARES Act: Section 2205

Section 2205 of the CARES Act is a modification of limitations on deductible charitable contributions during 2020. For individuals, up to 100-percent of income can be deducted using cash gifts to charity. For corporations, the 10-percent limitation is increased to 25-percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 to 25 percent. Although specific guidance is lacking, a cash gift to a public charity should qualify even if the donor receives something valuable in return, such as a dinner or annuity. If true, this would allow the gift portion of a charitable gift annuity funded with cash to be deducted up to 100-percent of income. Charitable Remainder Trusts might not be treated the same. Make sure to check with your tax adviser.

For more resources, visit ceplan.com/covid-19 and learn more about planned giving from Russell James' *Complete Charitable Planning Training Series*.

Let's visit!