National Estate Planning Awareness Week 2021

Daily Theme Ideas for Social Media, etc.

Thompson & Associates
Values-Based Estate Planning

A whole week for thoughtful planning!

It seems there is a national week or month of recognition for just about everything these days. In September of 2008, Congress added National Estate Planning Awareness Week to the list. In 2021, this special week is October 18-24. It is an excellent reminder that getting informed and having a good estate plan is a critical component of financial wellness.

This dedicated week is also a great time to remind the philanthropically inclined of some effective charitable giving techniques that can be part of thoughtful planning. To that end, here are some of the top planning ideas for each day of the week that you may not be hearing from other sources.

Monday

Give Some Bucks, Pocket Some Coin. The "CARES Act" passed in 2020 included a $300 "above-the-line" charitable deduction for taxpayers who do not itemize—and there are more of those than ever with the higher standard deduction. Extended for 2021, it was also expanded to allow a married couple filing a joint return to claim a $600 deduction. So, encourage your favorite charity with a gift, and save some taxes in the process.

Tuesday

Make a Basis Swap. We've all heard of the "stepped-up basis" for capital assets at death. But did you know you don't have to die to receive a basis adjustment on a long-term capital asset? Let's start with a common technique to avoid capital gains tax on stock one intends to sell; that is, give it to charity instead of giving cash. The donor receives a deduction at full fair market value without having to recognize the gain.

But what about low-basis stock you do not intend to sell? If you plan to make a cash gift to charity, consider keeping the cash, giving low-basis stock, and then using the cash to buy the same stock with a new, higher basis. This give you a stepped up basis of sorts—and you're still breathing!

Wednesday

Liberate Imprisoned IRA Dollars. Every dollar withdrawn from a traditional IRA triggers ordinary income tax, and IRA owners age 72 or older must take required minimum distributions ("RMDs"). But there's a "get out of jail free" option for those imprisoned tax-heavy assets for IRA owners age 70½ or older.

Use an "IRA Charitable Rollover" to distribute such assets directly to a qualified charity rather than taking the distribution yourself. The amount distributed will not be taxed to you because it does not even count as income. If you have mandatory RMDs, the "qualified charitable distribution" will count directly toward your required minimum distribution (up to $100,000 per year).

Thursday

Go Ahead, Get Your "Gifties" in a Bunch. Many taxpayers still have significant deductible expenses and donations, but not quite enough to itemize under the higher standard deduction. Others may have a higher-than-normal income year for which additional deductions could help mitigate the tax consequences. If you find yourself in a situation like that, a simple change in timing might help.

Friday

Gifts to Soothe a Roth Bite. Many people opt to convert a traditional IRA or 401(k) plan to a Roth IRA, but that can come with a significant tax bite (i.e., all of the converted funds are taxable as ordinary income). For those with the means to make larger cash gifts to charity in the year of conversion, the deduction can help offset the income recognized due to the conversion. Remember that for 2020 and 2021 the CARES Act boosts that offset ability by allowing a deduction for cash gifts up to 100% of AGI.

Saturday

"Give it Twice" Trusts for IRAs. This idea is more traditional estate planning than income tax planning, but still quite worthy of mention as part of National Estate Planning Awareness Week. The "SECURE Act" passed at the end of 2019 included several favorable changes for taxpayers with tax-deferred retirement accounts, but it included one bitter pill—elimination of the so-called "stretch IRA." Now, instead of being able to stretch payments from an inherited plan over the beneficiary's life expectancy, all such funds must be withdrawn within ten years following the account owner's death (with some exceptions).

But wait! There's a charitable option to the rescue. Instead of leaving tax-deferred retirement accounts outright to heirs or to a traditional trust for them, consider directing them to a Charitable Remainder Trust ("CRT") (or a Charitable Gift Annuity ("CGA")) for them. A CRT may pay an income to the heir for a specific term up to 20 years (already doubling the hobbled stretch IRA option), or perhaps the heirs' lifetime in the right situation. Similarly, a CGA may be created at death using the tax-qualified funds for the heir's lifetime. The CRT or CGA will qualify for some level of charitable estate tax deduction (if needed), it will force a stretch of the income that you intended for your heirs, and the remaining assets at the end of the income term will leave a legacy of charitable giving. For those with estate tax concerns, it also gives the estate a charitable deduction to save taxes.

Sunday

Time to Coast. You've had a busy week if you implemented or took initial steps for any of these ideas. So, you deserve a break! Take Sunday to "spend" or "give" some time to yourself and your loved ones. After all, an old saying has it that "charity begins at home."

The paragraphs above are obviously (and necessarily) brief descriptions of techniques that have much more substance to them. It is our hope that something in this article can prove to be useful for your planning as the end of 2021 is in sight. If you have more interest in exploring any of these ideas, please let us know or consult with your trusted tax and planning advisors.

About Thompson & Associates

Thompson & Associates partners with nonprofits to provide estate planning services to their supporters. Our planning process helps you move from "hoping" planned gifts materialize to active gift creation by putting your supporters' needs first. We give your supporters an opportunity to work closely with an independent advisor to clarify their values to develop a plan that reduces uncertainty, freeing them to make a lasting impact on their family, community and the world.