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— The Advisor Viewpoint: Including Charitable Giving in Your Estate Plan —

Planned Giving: Now or Later?

If you are considering a bequest to one or more charities in your will, why wait? You might consider carrying out your charitable wishes while you can see the benefits of your gift.

For example, most charities (including the Community Foundation) offer charitable gift annuities, which allow you to make a gift of cash or appreciated stock in return for an annual annuity payment. The older you are, the greater the rate paid on your annuity.

For example, an 80-year-old donor who contributes \$50,000 will receive 7.1%, or \$3,550, per year for the rest of his or her life. This is often a much higher rate of return than a donor can expect to receive on savings or investments. This lifetime gift also entitles the donor to an income tax deduction (though not for the gift's full amount).

From a financial planning point of view, the advantages are very attractive when compared with selling low dividend stocks, paying capital gains taxes, and reinvesting the net proceeds in an effort to get a higher rate of return.

Making the gift now also gives the donor a sense of satisfaction and much-deserved recognition during

his or her lifetime.

For gifts of \$100,000 or more, a charitable remainder trust, with benefits similar to charitable gift annuities, is often recommended.

Many estates now pass to the next generation free of federal estate tax, and so charitable bequests through the estate do not always provide tax savings. However, charitable gifts made while a donor is still living — whether outright, through a charitable gift annuity or charitable remainder trust — provide the benefit of the income tax deduction and exclusion from the estate.

Testamentary Gifts

Another popular technique to satisfy testamentary charitable gifts is to designate a death beneficiary on an IRA or qualified pension plan account. This makes it possible to have a portion distributed at death to one or more charities and the balance to a donor's spouse and/or children. Amounts given to charity are not diminished by income tax, since charities are tax-exempt.

By satisfying charitable bequests from an IRA or qualified plan benefits, the beneficiaries receive more non-taxable assets (not subject

to income tax). This creates a win-win situation for everyone.

If you want funds designated for charity to be used for a specific purpose (perhaps to establish the Mary and Tom Smith Memorial Scholarship Fund), this can be done by one of two ways — in a letter to the charity outlining the donor wishes during his or her lifetime, or by referencing it in the donor's will.

Combination Planning

Donor advised funds are another option. Donors can contribute assets in a year when they can receive the maximum benefit from the income tax charitable deduction. They can then advise the Foundation staff of distributions from the fund at times convenient to them. Donors can make bequests to their advised funds or designate a portion of their IRA, qualified plan benefits or charitable remainder trust to add to the fund following death.

Donors' children, who can be named successor advisors, then can continue to make charitable gifts in honor of the parents. This "shared" philanthropy can strengthen the bond between generations and ensure that the family's tradition of giving continues (**see also page 7**).