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An Overview of Planned Giving Tools

90% of American wealth is held in non-cash assets such as real estate, stock, and retirement accounts yet IRS statistics show most people make charitable gifts from cash, often called checkbook philanthropy.

By knowing their options Americans can be more generous, at the same time more effectively managing personal assets and leaving more money in the donor's pocket for annual household expenses.

Read how hard-working Americans realize substantial tax benefits, while supporting community needs.

Retirement Assets

If the donor is 59 1⁄2 or older and not facing penalties for early withdrawal, donating retirement assets can offset negative tax consequences resulting from the increase in income.

Once a donor is 70 ½ and required by law to make minimum distributions, this strategy becomes even more advantageous. Currently donors are allowed to transfer their mandatory minimum distribution directly from a retirement account to charity. This transfer does is not counted as income for tax purposes.

Charitable Lead Trusts

This is a vehicle that can be utilized to "lend" assets to a nonprofit, allowing the organization to benefit from income earned off those gifts over a set period of time, while ensuring the asset remains in the donor's estate for the benefit of heirs.

This strategy is often used with income producing properties and mineral rights.

Charitable Remainder Trusts

Like Charitable Lead Trusts, assets are placed in trust, but the lifetime income is provided to the donor or their selected beneficiary. The remaining assets are transferred to the charity at the end of the trust term.

Real Estate

When contributing appreciated property that the owner has held longer than one year, the donor avoids paying capital gains tax, receives a charitable income tax deduction, and creates a positive impact on their annual cash flow by not having to allocate funds for property taxes, insurance and maintenance costs. Here are some of the options for more effective giving.

Appreciated Stocks and Mutual Funds

Donors holding appreciated stocks or mutual funds have a significant opportunity to pay less tax and to donate a higher amount to charitable causes.

Other Tangible Property

Gifts of other tangible property such as precious metals, art, jewelry, and automobiles are often accepted by nonprofits as a direct donation.

Life Insurance

An unneeded life insurance policy can be transferred to a nonprofit, naming the organization as both the owner and the beneficiary.

Disclaimer

This overview is not meant to serve as legal or tax advice. Readers are encouraged to consult with their attorney and/or tax advisors regarding the impact any type of gift may have on their unique circumstances.