YOUR PARTNER IN PLANNED GIVING SUCCESS

Basic Planned Giving Methods

Date: July 17, 2018

Time: 1:00 – 2:30 Eastern

Presenter: Craig C. Wruck
Vice President, Advancement
Humboldt State University

Agenda

- Charitable Bequests
- Qualified Retirement Plan Assets
- Life Insurance
- Bargain Sale
- “Family Foundations”

Charitable Bequests

- Testamentary gifts – transfer made upon death, revocable during lifetime
- Charitable bequests – specific, contingent, remainder
- Considerations regarding restrictions
- The “probate” process

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Qualified Retirement Plans

- “Custody” account – accepts contributions of pre-tax income, holds & invests tax-deferred
- Withdrawals are taxed as ordinary income
- Purpose: provide retirement income – not to encourage savings or build estate value
  - ✓ Before 59½: 10% early withdrawal penalty
  - ✓ After 70½: Minimum required distributions

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Qualified Retirement Plan – Contribution at Death

- **$500,000 estate including an IRA worth $100,000**
- **Plans a charitable bequest of $100,000**

	Charitable Bequest	IRA to Charity
Combined value of estate	$500,000	$500,000
IRA transferred to charity	n/a	- $100,000
Income tax on IRA (est. 32%)	- 32,000	-0-
Charitable bequest	- 100,000	n/a
Remainder to heir	$368,000	$400,000

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Qualified Retirement Plan – Contribution at Death

Notes:

- Expedited payment to charity
- Distribution must be directly from plan, not provision in Will
- Consider coordinating provision in Will
- Careful planning for married couples

Qualified Retirement Plan – Gift During Lifetime

Simply withdraw money from qualified plan, then contribute cash to charity

- Assuming over 59½, should be a wash:
  - ✓ Withdrawal creates taxable income
  - ✓ Contribution creates offsetting deduction
- Complexities of standby withholding, timing, AGI limits, tax reporting

Qualified Retirement Plan – IRA Rollover

Transfer up to $100,000 from IRA to charity with no income tax on withdrawal

- Donor must be age 70½ or older
- Outright contribution (no life income plans)
- Transfer must be from the IRA administrator directly to the charity
- No supporting organizations, private foundations, or donor advised funds

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Life Insurance Policy

Insurer	Owner	Insured	Beneficiary
Promises to pay an amount of money (the death benefit) upon the death of the insured	Buys and (usually) pays for the policy; has right to change beneficiary and to give away ownership	The one upon whose death the insurer will pay the death benefit	The one to whom the death benefit will be paid

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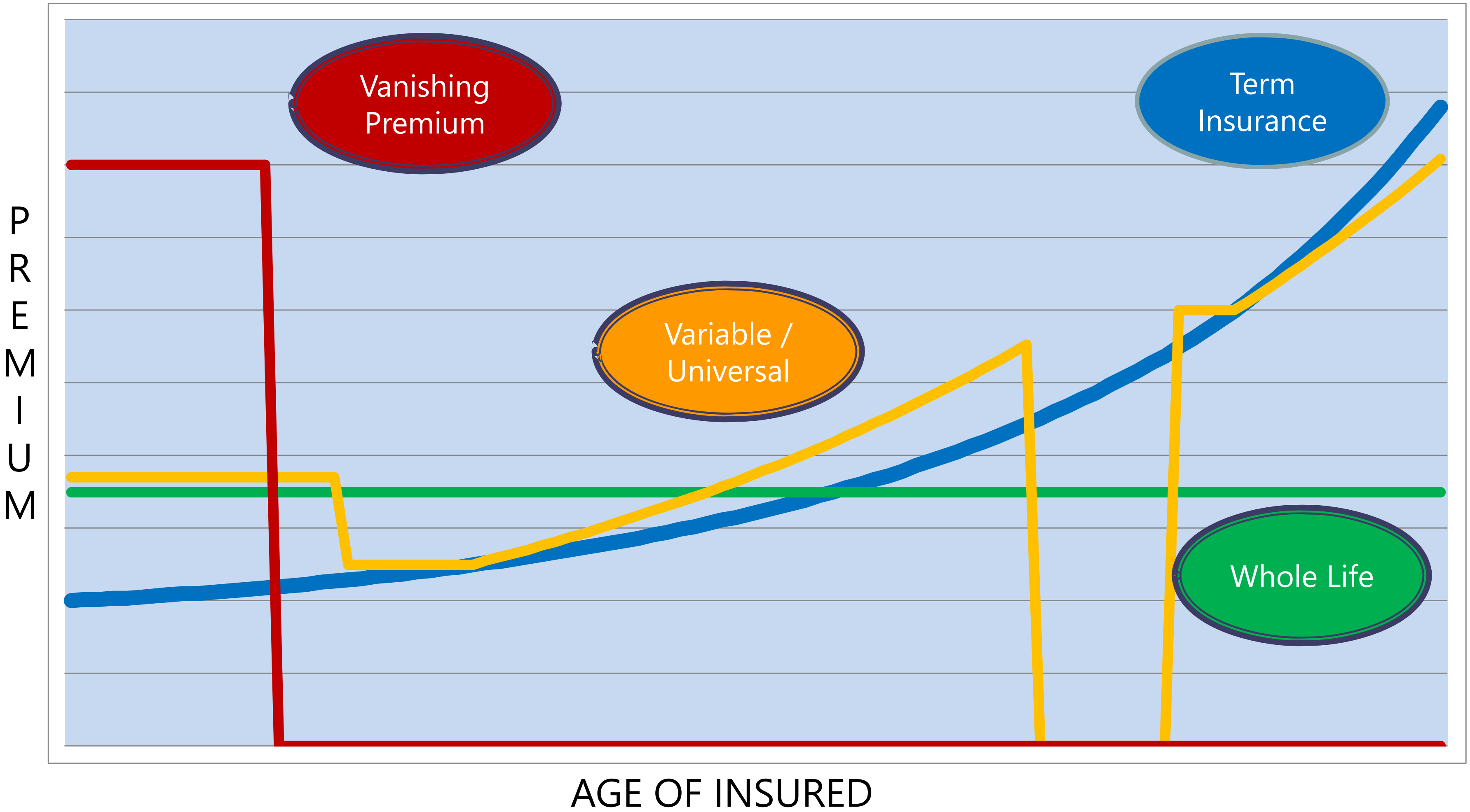
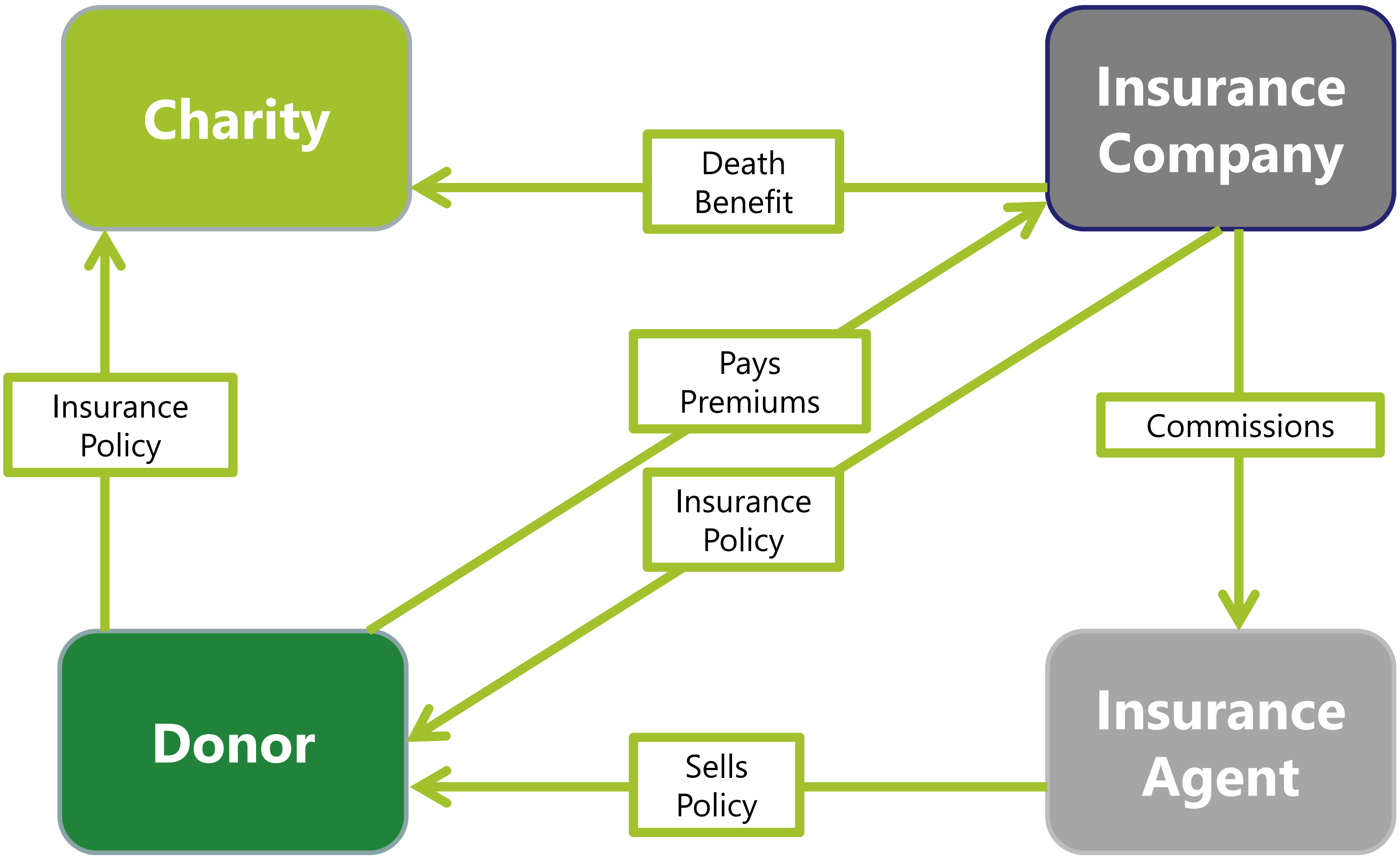
Life Insurance Premiums



Life Insurance – Outright Gift



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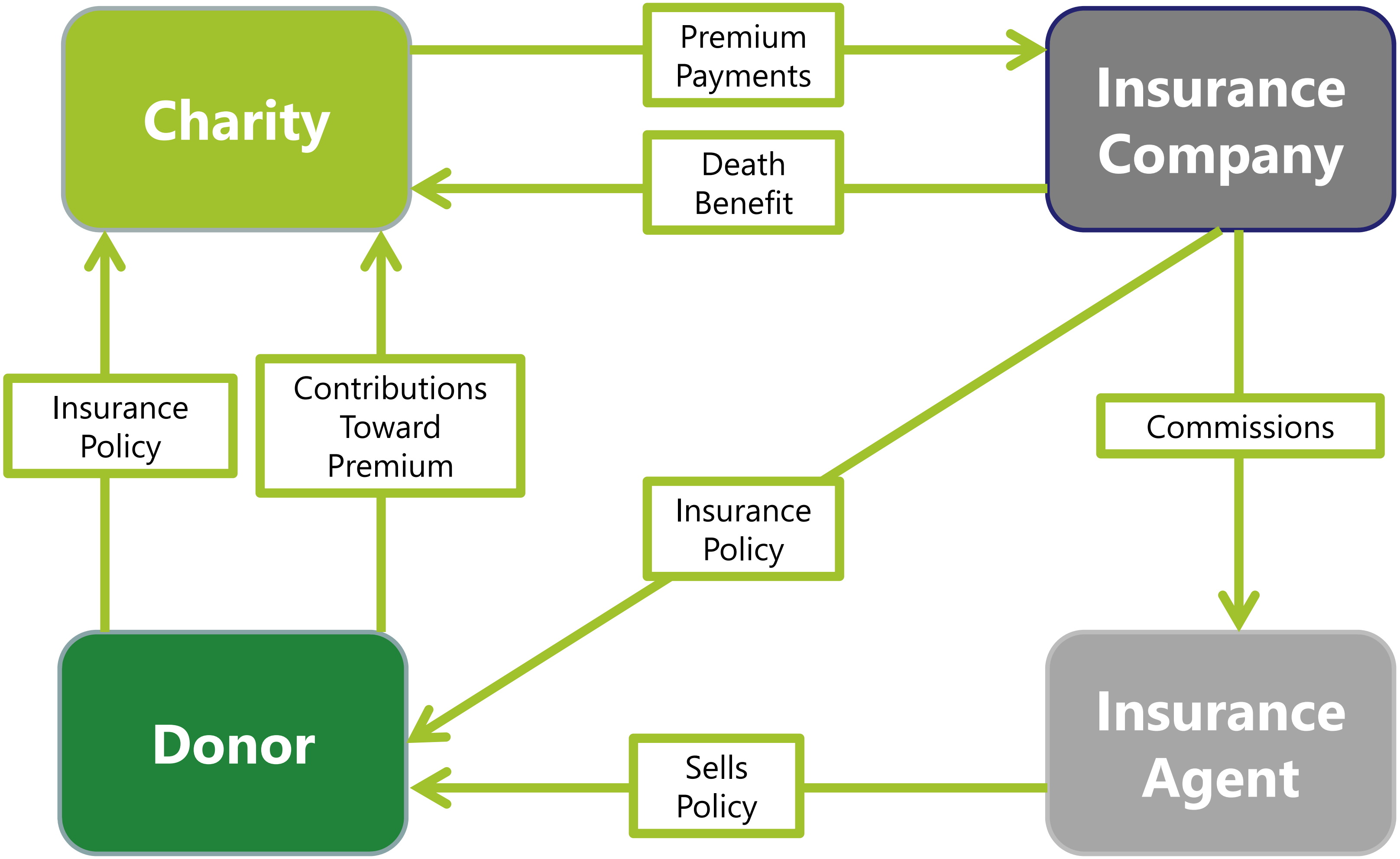

Outright Contributions of Life Insurance

- Charity must be named beneficiary in order to receive death benefit
- Income tax deductions if donor transfers ownership to charity
  - ✓ Value of policy at time of gift
  - ✓ Future premium payments

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Life Insurance – Other Considerations

- Charity is not obligated to make premium payments – despite donor's expectations
- Outstanding policy loans, conditions may reduce value of death benefit
- Policies are valuable assets, should be periodically reviewed and evaluated

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Bargain Sale

- Donor sells property to charity for less than full fair market value
- Charitable deduction for difference between fair market value and sales price
- Donor will be liable for capital gains tax on portion of capital gain – can't give the gain only

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Bargain Sale Example

- FMV = $50,000, cost basis = $20,000
- Donor sells to charity for $10,000
  - ✓ Charitable deduction = $40,000
- Donor pays capital gains tax on $6,000
  - ✓ Capital gain = $30,000
  - ✓ (30,000/50,000) x 10,000 = 6,000

Family Foundations

	Donor advised fund	**Private foundation**
Origin of tax exempt status	Fund account of a public charity	Separate entity (either trust or corporation)
AGI limit on charitable deduction	60% cash 30% appreciated prop.	30% cash 20% appreciated prop.
Donor control of distributions	Right to recommend distributions by public charity	Controlled by entity limited by private foundation rules
Minimum distribution	No requirement	Minimum 5%
Donor privacy	Can be anonymous	Public disclosure
Administration	Provided by sponsoring public charity	Entity provides accounting, files tax returns, etc.

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Still Have a Question?

Contact: Craig Wruck
Vice President, Advancement
Humboldt State University

E-mail: craig.wruck@gmail.com