Planned Giving

Leave a Legacy
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October 26, 2017

Agenda

- What is planned giving?
- Why should your clients care?
- What is Leave A Legacy?
- Example: Gift of Appreciated Property
- Example: Charitable Remainder Unitrust
- What can you expect from the charity?

What is it?

Generally:

- Any charitable contribution carefully planned to take full advantage of tax incentives

Specifically:

- Contributions made at death such as bequests and beneficiary designations
- “Split interest” gifts such as charitable remainder trusts where the remainder is left to charity

Why should you care?

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- 70% of Americans do not have an up-to-date estate plan
- 50% of Baby Boomers have no estate plan at all
- 90% of American adults make charitable contributions every year
- 6% include a charitable bequest in their estate plan

Stanford Social Innovation Review

October, 2017

What is Leave A Legacy?

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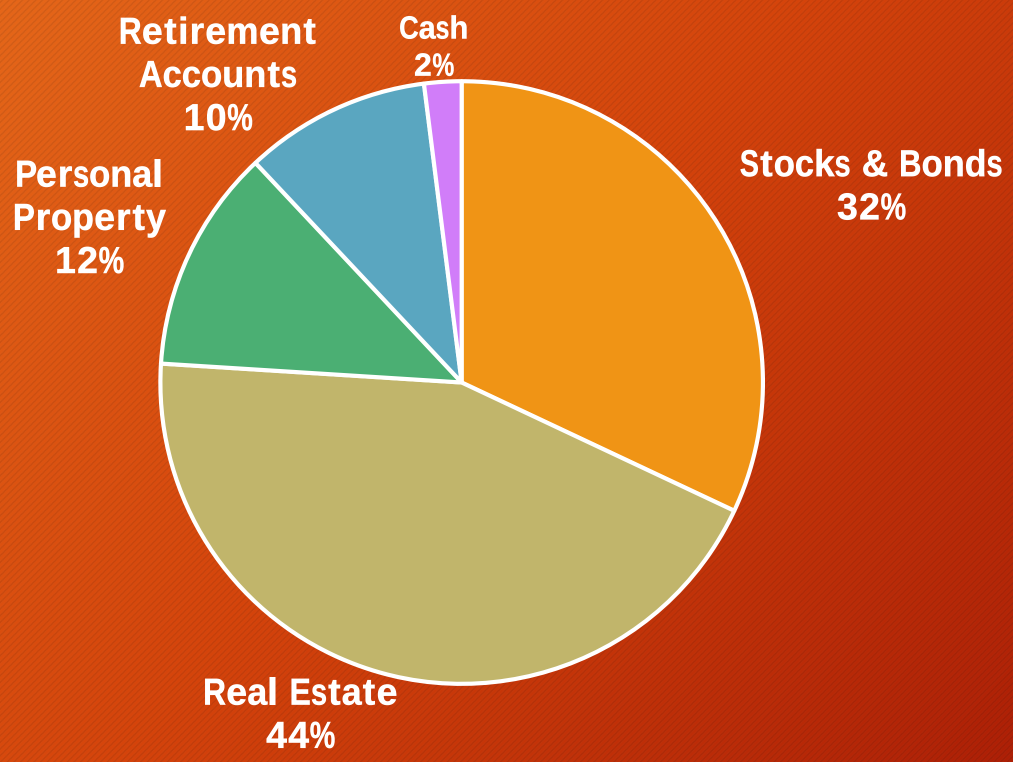
- A collaboration of nonprofit organizations encouraging everyone to support charitable organizations through their estates
- A public information campaign to promoting thoughtful estate planning for everyone

“Start where you are,
use what you have,
and do what you can.”

Personal Wealth



Gift of Appreciated Property

Assume a donor in the 28% Federal income tax bracket is considering a contribution of $10,000. She could either make a cash gift or contribute appreciated securities with a cost basis of $2,000 ($8,000 gain).		
	Cash	Securities
Contribution	$10,000	$10,000
Income taxes saved	2,800	2,800
Capital gains tax avoided	- -	1,200
After tax cost of gift	$7,200	$6,000

Charitable Remainder Trust

- Irrevocable tax-exempt trust that pays annual income, then distributes remainder to charity
- Trustee must balance income and remainder interests; can be charity, donor, or others
- Income varies, it is a fixed percentage of value of trust fund, revalued annually
- Current income tax charitable deduction
- No capital gains tax on transfer to trust

Charitable Remainder Trust

- Donor couple ages 76 and 75
- $500,000 contribution
  - Stock worth $400,000 with $75,000 basis
  - Money market fund worth $100,000
- Current total investment return averages 6% (2% income plus 4% growth)
- Trustee can produce similar investment returns
- Charitable Remainder Unitrust payout is 5%

Charitable Remainder Unitrust

- $250,355 income tax charitable deduction with up to five-year carry forward
  - Saves $86,863 in income taxes assuming 28% bracket
- No tax on the $325,000 capital gain transferred to the trust
  - Saves $74,441 in capital gains taxes
- First year income increases to $25,000
  - $15,000 more than current year

Charitable Remainder Unitrust

	5% CRUT	Sell & Reinvest	Kept Intact
Beginning principal	$500,000	$500,000	$500,000
Capital gains tax paid	-0-	$74,441	-0-
Net to invest	$500,000	$425,559	$500,000
Charitable deduction	$250,355	-0-	-0-
Income taxes saved	$86,863	-0-	-0-
Total after-tax income (over 16 years)	$322,449	$239,804	$145,523
Remainder (to community or family)	$586,289	$499,001	$936,491

What can you expect?

- We are advocates for our organizations
  - But we are not financial advisors or estate planners
- We are committed to helping our donors (your clients) to fulfill their charitable passions
  - Even when that means a gift to another organization
- We will present our organizations' priorities in convincing and persuasive ways
  - But in the end the donors' intentions always rule
- We will make creative suggestions and encourage our donors to act on their passions
  - We will always urge them to seek professional advice

More information

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www.leavealegacyhumboldt.org

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