

Winning Solutions to Reach Your Charitable and Legacy Goals

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What You Will Hear Today

- Pitfalls to Avoid in Charitable and Legacy Planning
- Charitable Planning
 - Zero Tax Gift and Sale
 - Blended Gift
 - Qualified Charitable Distribution (QCD)
 - Donor Advised Fund (DAF)
- Legacy Planning
 - Gifts in Your Estate
 - Give it Twice Trust or “Prodigal Trust”
 - Gift and Estate Design Service
- Questions & Answers



Pitfalls to Avoid in Charitable and Legacy Planning

- Unnecessary payment of taxes (capital gain, income, estate, & gift)
- Inadvertent inclusion or exclusion of beneficiary in estate
- Draining of personal and financial resources
- Involuntary disinheritance of your children
- Messy, costly, and lengthy probate process
- Excessive attorney fees for estate planning
- Frivolous spending of inheritance by heir
- Assets that are not properly titled
- Ongoing feuds amongst heirs
- Trusts that are unfunded



Zero-Tax Gift and Sale—Case Study

Making the capital gains tax “optional”

David and Gwen own several pieces of ranch land

They have an offer to purchase a property; however, they are balking at the high “price tag” of the capital gains taxes... in their case \$46,000!

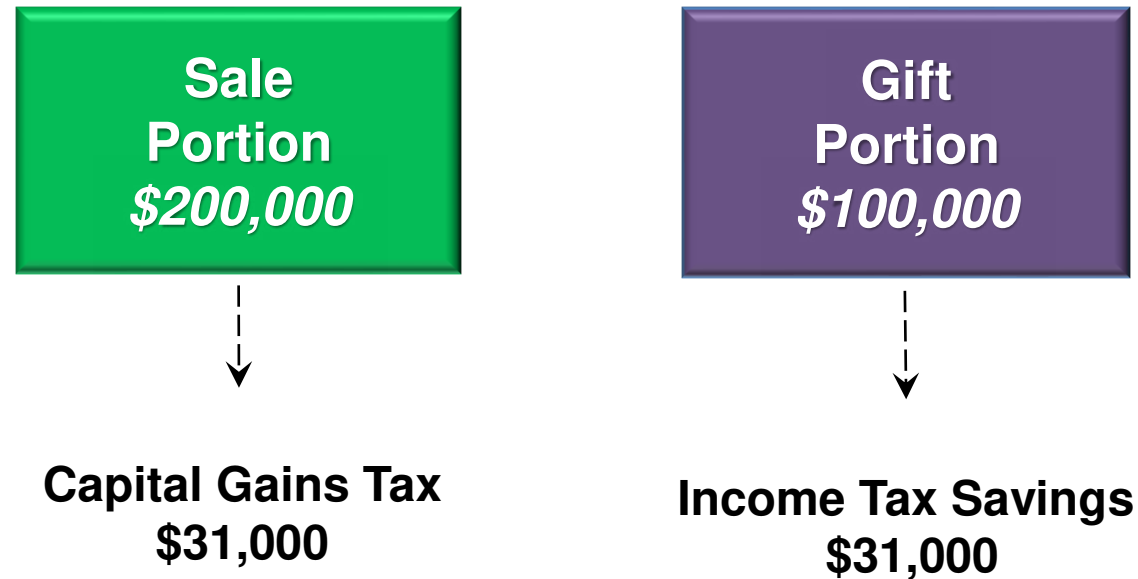
They know they cannot keep all of the sales proceeds (due to taxes) and would like to find a way to **receive the optimal amount of cash** from the sale, **pay no taxes**, and **make an impactful gift** to the work of the Kingdom.



Our winning solution: The zero-tax gift and sale...

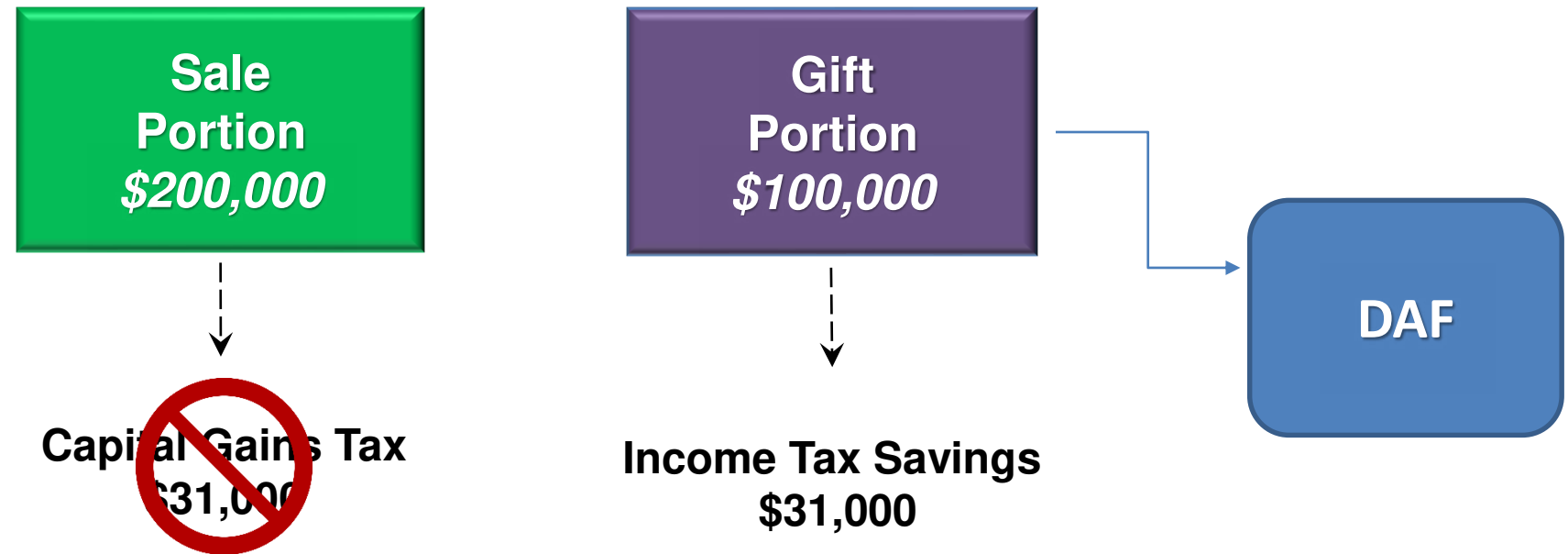
Zero-Tax Gift and Sale—Case Study

By gifting (prior to signing a sale contract) an undivided interest in a portion of the land and keeping the remaining interest, they can use the income tax savings to offset the capital gain tax liability.



Zero-Tax Gift and Sale—Case Study

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* **Caveat:** Check with CPA to make sure the “wash” will occur in year of gift or over 1 to 6 years

The Winning Solution:

- Received \$200,000 “tax-free.”
- Transferred tax dollars to Kingdom dollars
- Support favorite ministries through the use of a Donor Advised Fund
- Joy of giving!



When Might a Gift and Sale Be Right for You?

If you ...

- Need cash from the sale of the asset
- Want to avoid capital gains taxes
- Desire to make an impactful gift to ministry



Winning Solution

Gift Annuity & Outright Gift—Case Study

Nancy is a long-time donor who wanted to support the ministry in a significant way. Unfortunately, or so she thought, she couldn't give a large principal gift without adversely affecting her income and lifestyle needs

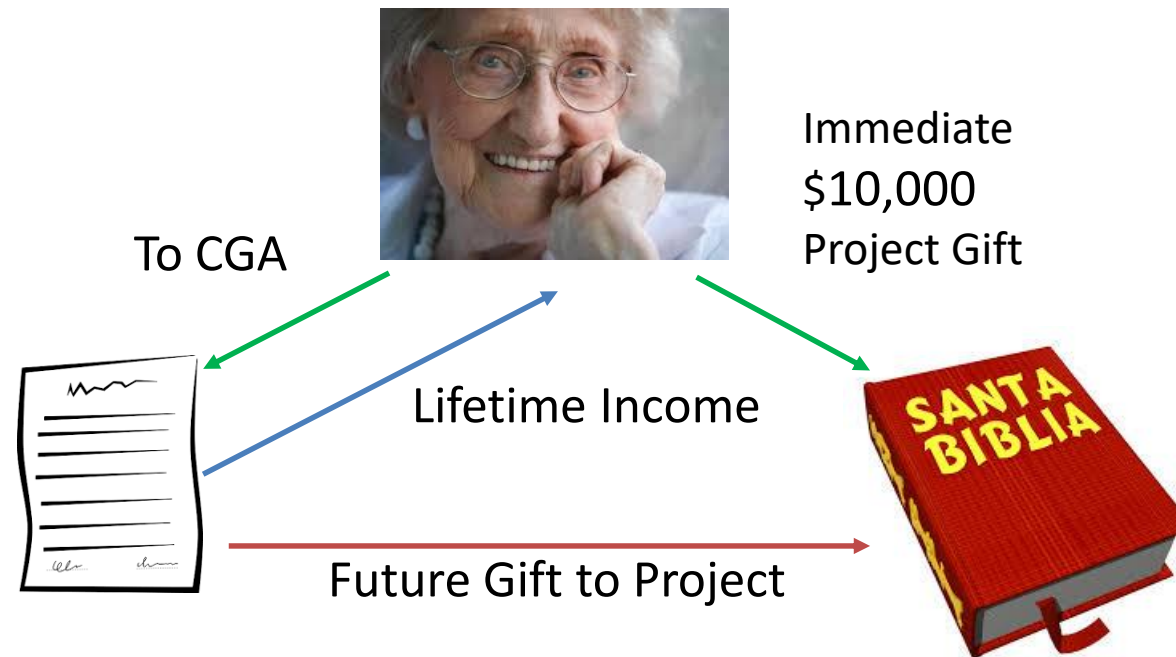


She had a \$50,000 CD maturing, and the bank was offering her a 1% rate on the renewal, which would amount to \$500 in annual income. What Mary *really* needed additional income of \$3,000 to make ends meet.

Winning solution...

Gift Annuity & Outright Gift—Case Study

Here's a solution we proposed: gift \$40,000 into a charitable gift annuity that will pay Nancy an 8.0% rate or \$3,200 per year for her lifetime, and donate outright the remaining \$10,000.



Nancy now has great comfort in knowing she can never out live the income from her gift annuity and great joy in furthering the mission of the ministry-- both now and in the future from the remainder interest in her gift annuity.

When Might a Gift Annuity and Outright Gift Be Right for You?

If you ...

- Need additional income for living expenses
- Want to make an impactful gift to ministry



Winning Solution

Charitable Trust & Outright Gift—Case Study

Mark and Elizabeth love the ministry and were very interested in making a gift to a project we discussed with them; however, they do not have cash to make such a gift.

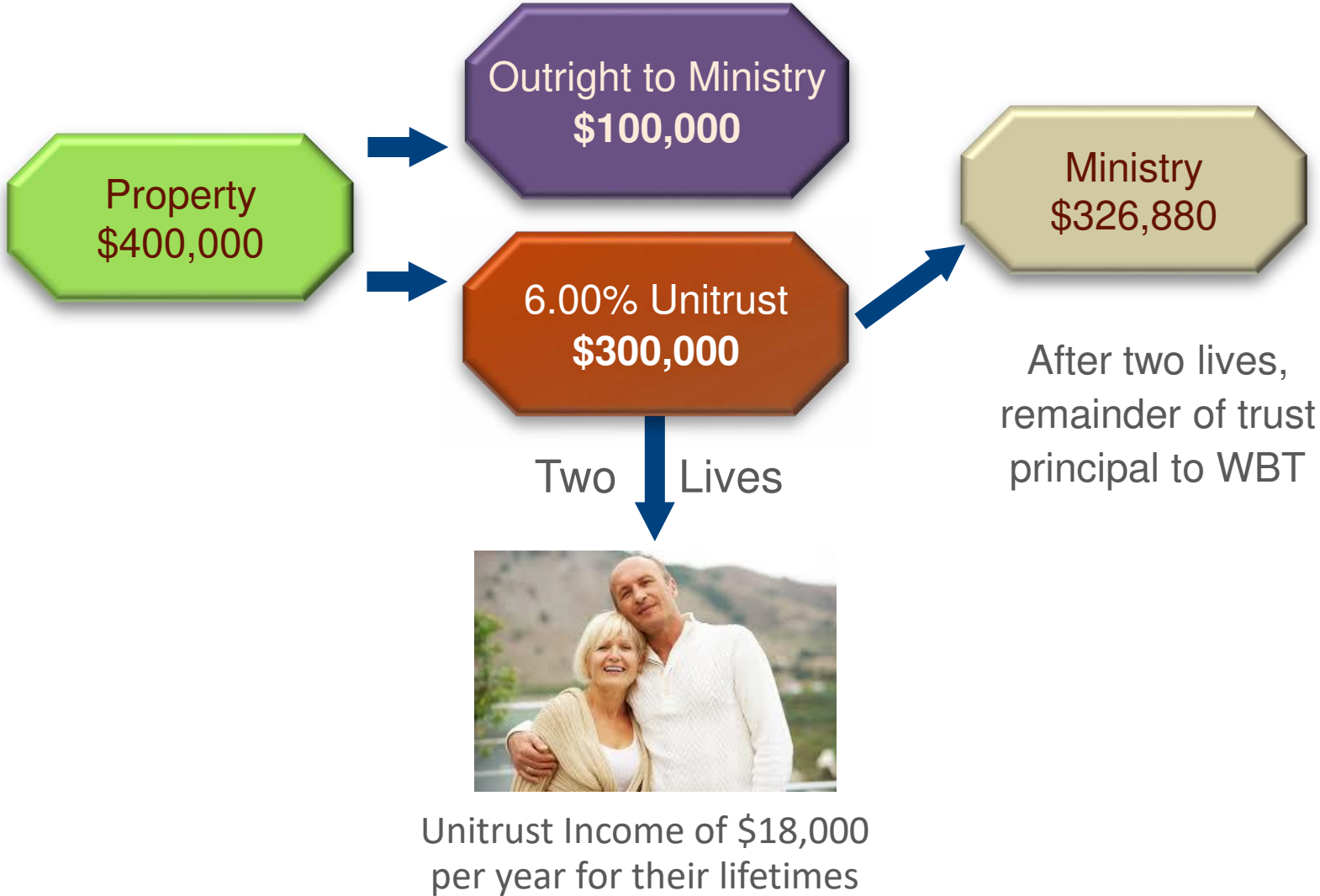
We learned during conversations that they own a highly-appreciated but low-yielding income property. They were tired of being landlords and were not interested in trading-up. They wanted to get out: sell the property and reinvest the proceeds for a higher-return and income.

However, paying a combined 28% tax on the capital gains and resulting loss of capital was something they just couldn't stomach. Thankfully, the capital gains tax is "optional."

Here's a winning solution that will accomplish all of their charitable and financial goals...



Charitable Trust & Outright Gift—Case Study



Charitable Trust & Outright Gift—Case Study

By using a charitable remainder trust and gift, they were able to...

- Make a significant current and future gift to the ministry.
 - Avoid the capital gains taxes.
 - Receive a lifetime income that was **five times greater** than the rents they were previously receiving from the property.
 - Receive a significant charitable income tax deduction that saved them thousands of dollars—from these tax savings, they now had additional resources.
- Make a significant charitable gift, more than they ever thought possible, to support the work of the ministry... now and in the future.



When Might a Charitable Trust and Outright Gift Be Right for You?

If you ...

- Need additional lifetime income
- Desire to avoid capital gains tax
- Want to make an impactful gift to ministry



Winning Solution

Qualified Charitable Distribution (QCD)*

- **Why now?** An “above the line” (AGI) deduction; available w/o having to itemize
- **What is it?** A contribution made by the custodian or trustee of your IRA payable directly to a qualified charity subject to the following rules:
 - IRAs: traditional, rollover, or inherited; SEP & SIMPLE IRA (only if inactive). 401(k) and 403(b): **do not** qualify...you would need to first rollover into a IRA.
 - Up to \$100,000 per year**
 - Must be at least 70 ½ when distribution made
 - Cannot go to DAF, CGA, Sup Org, Split-interest trusts, or PIF

*Also known as IRA Charitable Rollover

**Any amount donated above your RMD does not count toward satisfying a future year's RMD

Qualified Charitable Distribution--Case Study

The Situation:

- Joyce has made generous annual gifts to her favorite charities over the years.
- She is now 70^{1/2} and must begin taking her Required Minimum Distribution of \$25,000 for the current year.
- She does not need the income; her other investments provide adequate income.
- RMD payments are taxable as ordinary income .



Joyce Burke

What can she do? ... Consider Making a QCD.

Qualified Charitable Distribution—Case Study

Winning Solution:

Instructs her IRA custodian to transfer \$25,000 from her IRA directly to one or more charities.

- Qualifies \$25,000 as non-taxable income
- Reduces her AGI and taxable income by \$25,000
- Saves \$6,250 in federal and state income taxes (assumed 25% combined rate)
- Makes a significant current gift to one or more charities without affecting her cash flow

Donor Advised Fund (DAF)—Case Study

The Situation:

- Invested discretionary, non retirement funds in various stocks over the years
- Desire to donate some stock to support their church and several ministries
- Want to avoid 30% capital gains tax if they sell the stock

What can they do? Create a DAF



Sam and Roberta
York

Donor Advised Fund (DAF)—Case Study

Winning Solution:

- Establish the “Sam & Roberta York Fund” using a DAF; contribute appreciated stock to the fund.
- Receive an income tax deduction for the current value; bypasses federal and state capital gains taxes.
- Make grants to their church and other ministries once stock sells.
- Gift additional appreciated stock into the fund, receiving the same tax benefits.



1. Establish account*
2. Gift cash or assets
3. Receive tax deduction
4. Grant gifts

*\$5,000 to start DAF with TCF

When Might a DAF Be Right for You?

If you want to ...

- Consolidate & Maximize your giving.
 - Give gifts of cash & appreciated assets
 - Larger gifts to DAF can be distributed to multiple charities
- Engage your family and nurture their generosity.
 - Involve next generation(s) in grant-making decisions
 - Designate a successor adviser to continue your legacy
- Bunch your contributions in one year
- Give with anonymity at two levels.
- Change beneficiaries easily!

Other Winning Solutions for a DAF

- Name your DAF as a bequest in your will/trust
- Name your adult child's DAF as a bequest in your will/trust
- Name as a charity of remainder interest in a CRT
- Name as a charity of income interest of a Grantor Type CLAT
- Treat as a “quasi endowment”—give only minimal amount yearly and allow the balance to grow
- If an employer, set up a DAF to do your company giving and/or encourage employee giving

The Winning Solutions of a DAF Instead of a Private Family Foundation?

- Partial list of advantages of DAF over a PFF
 - Start-up -> quick, simple, and low cost
 - Annual Distributions -> none required
 - AGI Limits for Deductions -> higher for both cash and non cash gifts
 - Ongoing Administration -> no required tax returns or board meetings
- Options to Consider:
 - Set up DAF rather than a PFF
 - Set up DAF first to “practice your foundation management skills”
 - If have PFF and tired of rules, regulations, and red-tape, close to DAF

Leave a Legacy: Gifts in Your Estate

Live on in the life of a person or ministry

- There is more than one way . . .
 - Bequests (will, revocable living trust)
 - Beneficiary Designations (retirement plans, life insurance policies)
 - Payable on Death or “POD” (bank accounts)
 - Transfer on Death or “TOD” (stocks, mutual funds)



Concerned Parent or Grandparent

Would you like to leave an inheritance to a member of a younger generation, but are concerned about spendthrift heirs and their values; in other words, the old scenario of the...

“The Prodigal Son”

Consider a Give It Twice Trust...

You want...



They want...



“Give It Twice” or “Prodigal Son” Trust



1. Asset Gifted to Trust Either
Through Estate Plan or
During Lifetime



2. Income to heirs for a term of years



Heirs

Sample payout rates and terms
5% for 20 years
8% for 12.5 years
10% for 10 years

3. Remainder
Interest



Ministry

Give It Twice!

Grandparent would like to leave \$500,000 to her two grandkids. She set up a 15-year, 6.67% payment CRT for their benefit.

- **Grandkids receive**
 - **\$33,350 annually**
 - **\$500,000 over the trust's term**
- **With a Unitrust, the income payments could grow**
- **Grandparent receives a \$184,668 charitable estate or income tax deduction**
- **Grandparent has peace of mind**

- **Grandparent's favorite charities receive \$500,000+/- upon the CRT's termination**
- **Grandparent gave it "twice"...**
 - **Income to her heirs**
 - **Principal to her favorite ministries.**

When Might the “Prodigal Son” Trust Be Right for You?

If you ...

- Desire to provide an inheritance for heir(s) *over time* and want peace of mind they will not spend-it-all-at-once... avoid the “prodigal son” scenario
- Support ministries through your estate plans



Winning Solution

Your Financial Legacy

First Step: Re-think the allocation of your Inheritance

- To children—be balanced (Prov 20:21)
 - Is there a true need?
 - Are they walking with the Lord?
 - Have they stayed in relationship with you?

*“Fortunes tend to self-destruction by destroying those who inherit them” --
Henry Ford*
- To ministry—be generous (II Cor 9:6-8)
 - Invest in the eternal: human souls and God’s Word
 - Engage with The Great Commission

“My heart always goes where I put God’s money” — Randy Alcorn

Your Financial Legacy

- If no estate plan, state determines property allocation
- If have estate plan, review every 3-5 years or at key “trigger points”:
 - Children reach the age of eighteen
 - Divorce, marriage, or spousal death
 - Change in guardians, trustees, or executor
 - New people to name in will (e.g., birth, adoption)
 - Substantial change in value of your estate
 - New state laws or relocation to another state
 - **Children have become financially irresponsible, relationally estranged, or spiritually hostile**



Your Financial Legacy

Winning Solution: Enhance Your Team, Add Wise Counsel, and Leverage Planning Services

- This service is for you, our ministry partners.
- It's our way of saying thank you for your partnership!
- We will listen to **what** you want to accomplish and **why**, and then **draft a blueprint** to show you **how** to achieve your estate planning goals.
- Your information is kept confidential, and there is never any cost or obligation to give.
- You may have multiple charitable interests. We let the Holy Spirit guide you in your choices.



Your Financial Legacy

- **Think of it this way: If an Estate Plan is like building a house, then the Gift & Estate Design is like drafting a blueprint.**
 - **Foundation:** Determine God's plan for the stewardship of your resources.
 - **Roof:** Protect your children from things that cause them to be at odds with one another.
 - **Framework:** Distribute assets with least amount of cost and time.
- **What are other benefits of a Gift & Estate Design? You will...**
 - Receive a comprehensive Design for your Estate Plan that will accomplish your wishes.
 - Be prepped to meet with attorney. Become **"attorney ready"**.
 - Be encouraged to seek out other competent professionals.



May we be of service to you?

Please feel free to contact Jay or Michael. We look forward to the opportunity to be of service to you and pledge our finest efforts and complete confidentiality.

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Questions & Answers