Planned Giving That Matters

Imagine you could make a transformative donation to CALM, increase your income *and* leave more for your heirs, all while giving less to the Internal Revenue Service? Would you do it? Imagine you could provide early intervention and prevent hundreds of children from experiencing abuse. You can!

Thankfully, tax law encourages giving generously to non-profits. You'll want to consult your financial advisor, tax professional or estate planning attorney to discover which approach might apply to your specific situation. But here are a couple of options to consider.

Planned Giving is defined as any major gift, made in lifetime or at death as part of a donor's overall financial and/or estate plan. While we might give annually to non-profits, this is typically from discretionary income. A Planned Gift, on the other hand, enables donors to give more than discretionary income might allow. It is designed to maximize the impact to the non-profit, while minimizing tax consequences.

CALM asks you to consider making a bequest to CALM in your will, naming CALM as beneficiary of your life insurance policy, or naming CALM as a beneficiary on a Charitable Remainder Trust.

The terminology can be confusing because of all the various options: Pooled Income Funds, Charitable Remainder Trusts, Private Foundations and Donor Advised Funds are just some of the choices available. Here is a description of how two of these choices could work.

Scenario One (Bequest): The most common planned gift received by non-profits is a simple bequest in a will, trust or life insurance policy. By designating a percentage of your estate, or a specific asset, to go to your charity(ies) of choice, you can rest assured that you've done a great service. Many non-profit endowments are created this way. Please note: if you are willing and able, it is helpful to the non-profit if they are made aware of the potential gift.

Scenario Two (Charitable Remainder Trust): Perhaps your financial situation is a bit more complicated. You may own assets that are worth far more than what you originally paid for them. In financial terms, this is known as 'having a low cost basis.' Because of this, you may be hesitant to sell the investment because of the capital gains tax you may incur.

The tax code may work in your favor in this instance. You can gift the appreciated asset to the non-profit, take a tax deduction and perhaps even create an income stream for yourself. Meanwhile the non-profit, thanks to its tax status, can sell the appreciated asset with no capital gains liability, putting the full amount to work.

A quick example: Sarah Smith, age 75 and single, owns securities worth $300,000, which she bought many years ago for $20,000 and which pay a total cash dividend of $6,000. She would like to generate more cash from the investment, but she has hesitated to sell the stock because of the large capital gains tax she would incur. By transferring her shares to a Charitable Remainder Trust (CRT), Sarah will receive a fixed payout annually for her life in an amount likely greater than the 2% she receives currently. The precise amount she will receive from the CRT is determined when she structures the gift. She will also avoid any capital gains tax on the transfer. In addition, she will receive a significant charitable income tax deduction. When the trust comes to an end upon Sarah's death, her favorite non-profit will use the remaining gift assets to create the Sarah Smith Fund as an endowment, per her instructions.

Her financial planner in this case was also able to use some of the income stream from the CRT to fund a life insurance policy, replacing much of the value Sarah gifted to the charity, in order to leave more to her heirs. The availability of this last technique depends on several factors such as age and health condition.

Each person and family's situation is unique and there are a myriad of options, so please consult your financial professional or call our office to determine what makes the most sense for you. If you would like to learn more about how to support CALM, call Lori Goodman at (805) 965-2376.

Kevin Bourke has been helping the charitably inclined make the most of their gifting for over twenty-five years. His designations include CERTIFIED FINANCIAL PLANNER™ Professional, Chartered Financial Consultant and Certified Divorce Financial Analyst. For more information on profitable giving, Kevin can be reached at (805) 966-2122 or www.bourkewealth.com