Tricks of the Trade: Ten underused planned giving techniques that will save your clients $

Money back guarantee if you know of all ten tricks and used them in the past year

I. Leverage Client's Estate Plan to save money today

- **If your client has included a charity in their will, you owe it to them to discuss the following:**
  - **Deeding remainder interest in personal residence or farm**
  - **CRT before selling an appreciated asset**
  - **CGA with money in a CD**
  - **Making the charitable designation through the IRA**
  - **Involving elderly parents in the planning**
  - **Coupling current giving to maximize donor recognition**
- Does a charitable gift mean that I will lose assets under management?

1. Deeding Remainder Interest in a home or farm

- Your clients have left an amount to charity
- The kids are not interested in living in their home after their lifetime;
- Your clients will not need to sell their home for their retirement needs;

Crunch the numbers

Your clients can give small pieces of the pie each year to spread out their tax deduction; they have a partner if they sell the property!

Age of donors	Value of property	Income Tax charitable deduction	Savings (based on 35% bracket)
85 and 80	$1m	$820,000	$287,000
75 and 70	$1m	$720,000	$252,000
65 and 60	$1m	$614,220	$215,000
55 and 50	$1m	$514,775	$180,000

2. When Does a CRT make sense?

- Your client has left an amount to charity in their estate
- Your client is interested in selling appreciated real estate
  - Tired of managing the rental
  - Sell at the top of the market
- Is a mortgage a deal breaker(bridge loan, old& cold)?
- Be clear that the use of the principal is restricted
- You can bring the proceeds under your management and increase your book of business
- Wealth Replacement Trust so kids not left out

Crunch the numbers

Can you choose a high payout rate? Can I only put a portion of the property into the CRT?

Payout Rate	Value of property	Age of Donors	Income Tax Charitable Deduction
5% CRUT	$1m	70/70	$410,400
5% CRAT	$1m	75/72	$351,000
7% CRUT	$1m	70/70	$293,000
7% CRAT	$1m	70/70	NQ

3. Turn a 1.25% CD into a 9% CGA

- Your client has more money in CD's than they will ever need
- They want to help a charity, but don't know what area they want to support (or they don't feel that close to a charity)

Crunch the numbers

$100,000 CD paying 1.25% earns $1,250/year

Age of donor	Payout Rate	Tax-free amount	Income Tax Charitable Deduction
90	9%	85% for 6 yrs	$62,430
80	6.8%	80% - 11 yrs	$49,000
70	5.1%	75% - 19 yrs	$39,000
60 (10 yr deferral)	7%	75% - 19 yrs	$41,360
60	4.4%	70$ - 24 yrs	$25,800

4. Give the IRA to charity rather than the real estate

- Children inheriting an IRA pay income taxes
- Children inheriting appreciated assets get a stepped-up basis.

5. Involve the Elderly Parents in the Charitable Plans

- "After I inherit funds, I will make a charitable gift"
  - If the parents make the gift, estate tax savings and an income tax deduction for them – more for you to inherit
- If your parents will not be paying federal estate taxes (estate less than $10.98M), clients should consider gifting appreciated asset to the parents, so the children can inherit the asset back with a stepped-up basis.

Crunch the numbers

- Parents give taxable $100,000 to children through their estate, the children net $60,400. The children gift that $60,000 plus an additional $39,600 to save $38,000; The gift cost the children $101,600
  - If parents give $100,000 directly to charity, they save $39,600 and the children inherit an extra $39,600 (post estate tax net of $23,900). The cost of this gift is $76,100
- Getting a stepped-up basis for your appreciated asset saves your client money, no need to crunch numbers to prove this. .

6. Simulate the Endowment and put your client's names in lights

- Typical Endowment distributes 4-5% of the principal to the designated purpose.
- Once the charity receives an estate distribution, the charity will start receiving these 4-5% distributions.
- If a client is planning to give X to charity in their estate and is willing to give 4-5% of that value now, they are supporting the charity as much as if the charity received the entire endowment now.
- If client does this, they should be honored and recognized on par with any current donor of X to the charity. Use $1M as an example

II. Leverage current charitable giving to save more money

- **Charitable lead trusts: a simple example**
- Terminate your CRT and get an extra deduction
- IRA Roll-over: an over-rated strategy
- Give stock, not cash (stock represents any appreciated asset)

7. Charitable Lead Trusts – an easy way to give more to your children free of estate taxes

- Client is currently giving to charity each year
- Client has assets (rental real estate, closely held stock, REIT) that earn more than 5% each year
- A*B is greater than A+B

Crunch the numbers

Client is giving $70,000 per year to charity, opportunity to pass $1M to children free of federal estate taxes (based on 2.2% AFR)

CLAT	Payout Rate	Term of the trust	Taxable portion of CLAT
	7%	20 yrs	$0
	7%	15 yrs	$100,000
	5%	20 yrs	$182,000
	5%	15 yrs	$357,000

8. Terminate your CRT for a new income tax charitable deduction

- Client no longer needs the taxable income
- The high payout rate may cause the CRT to be exhausted, denying the client of seeing their desired charitable impact.

Crunch the numbers

$1,000,000 9% CRUT, one donor is age 75

Planned Gift Technique	Continued income	Benefit to Charity	Income Tax Charitable Deduction
Terminate the CRT		$1,000,000	$825,000
Convert to a 5% CGA	$50,750/yr for life (5.8%)	$1,000,000	$255,000
Cont. the CRT	$90,000/yr for approx. 13 yrs	$0	$0

9. IRA Roll-overs, lots of attention for a minor benefit

- Client (70.5 in age or older) can direct up to $100k from an IRA to go directly to charity – no income tax pd.
- Client can take a distribution from IRA and gift it to charity – no income tax pd. (if their AGI is below approx. $200k),
  - otherwise they may lose 3% deduction (ceiling) and have a higher AGI.

10. Give Stock, not Cash

- Avoid paying capital gains tax by gifting an appreciated asset, instead of cash
- Exception: Gifts of appreciated assets are limited to offset no more than 30% of AGI in a given year, gifts of cash can offset up to 50% of AGI
- Five year carry-forward for either form of gift.

III. Benefits to Children of Philanthropy

- **Inheriting positive character traits, not just assets**
  - Program Related Investments (PRI’s) from a Foundation
- Impact Investing