



HOW TO INCLUDE CHARITABLE GIFTING

in Your Estate Plan

PHILANTHROPY IS A WAY OF LIFE FOR MANY

For many people philanthropy is not just something they turn to for a tax write-off when tax season comes around – it is a way of life that they abide by on a daily basis.

If you are one of those people, you have likely given some thought to how your belief in the importance of gifting can be incorporated into your estate plan.

After all, there is no better legacy to
leave behind than charity.



CAN'T I JUST MAKE GIFTS IN MY WILL?

If you have made the decision to include charitable gifting in your estate plan, you may wonder why you cannot simply make specific bequests in your Last Will and Testament and call it a day.

There are several reasons why that isn't usually the best option, including:

Tax considerations – just as you are wise to consider the tax implications of gifts while you are alive, so should you when making gifts in your estate plan. Often, leaving gifts in your Will either incurs more taxes or fails to take advantage of a tax deduction/savings that might be available if the gift was made using another method.

There are several reasons why that isn't usually the best option, including:

Continued control – once a gift is made using your Will, the beneficiary has complete control over the gifted assets from thereon out. If you prefer to have some continued control over how your gift is used, a trust or foundation might be a better option.

There are several reasons why that isn't usually the best option, including:

Passing down your legacy – if passing on your beliefs about philanthropy to future generations is important to you, gifting within your Will cannot help. Creating a foundation, however, offers the ability to directly involve family members in the gifting process.

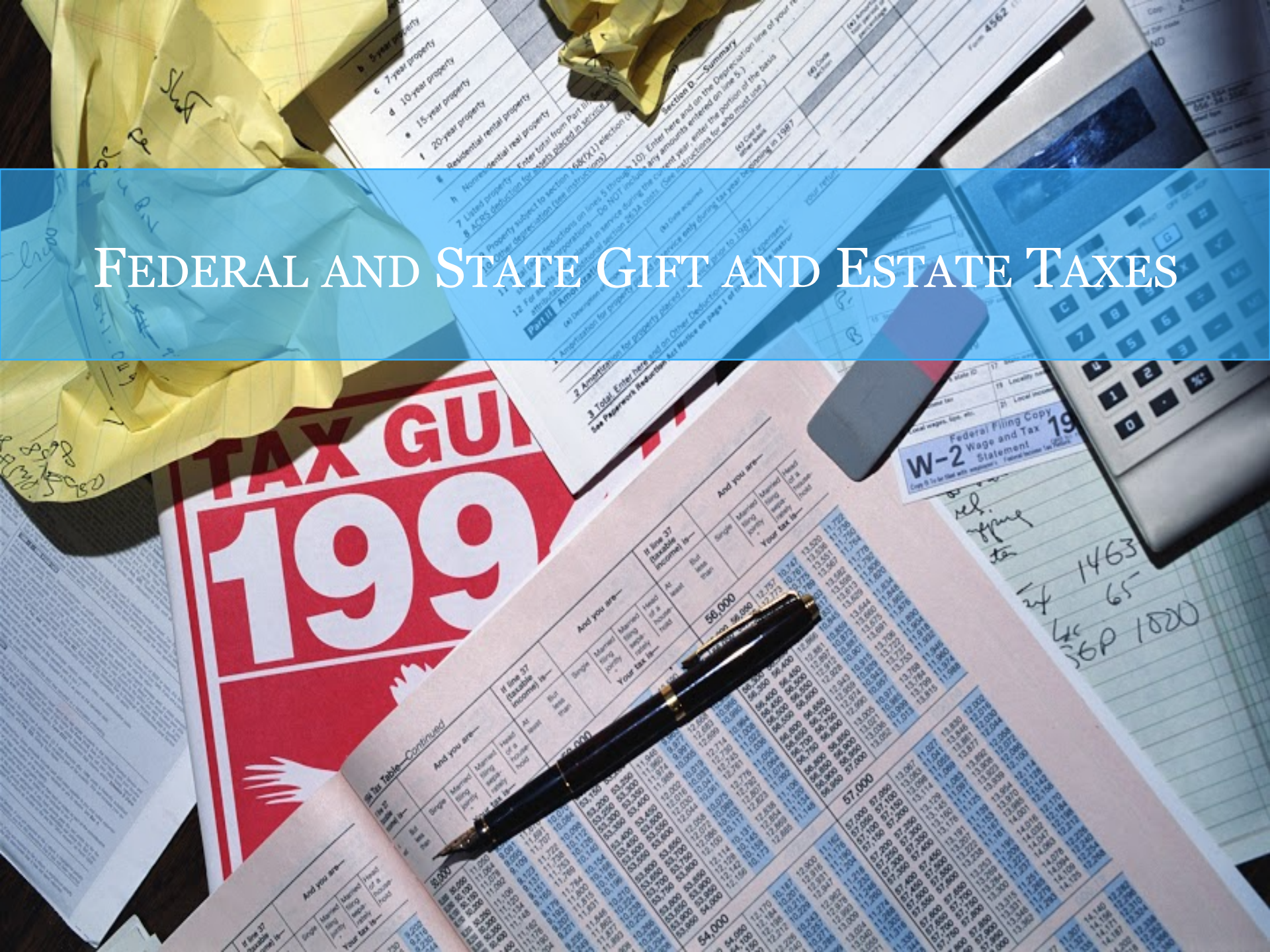


CHARITABLE GIFTS AND TAXES

In the United States, there is simply no avoiding the impact of taxation. Just about everything is taxed, including gifts.

When including charitable gifting in your estate plan it is imperative that you consider the tax implications of your gifts.

FEDERAL AND STATE GIFT AND ESTATE TAXES



When you die, your estate may be subject to federal and/or state gift and estate taxes at a tax rate of up to 40 percent.

The tax is levied on the combined total of the value of all gifts made during your lifetime and the value of all estate assets owned at the time of your death.

If applicable, the tax must be paid out of estate assets before any assets can be transferred to the intended beneficiaries and/or heirs.

You are entitled to deduct up to the current lifetime exemption before *federal* gift and estate taxes are imposed.



ANNUAL EXCLUSION

Every taxpayer is entitled to make gifts valued at up to \$14,000 to an unlimited number of beneficiaries each year tax-free.

A married couple may combine their gifts using the “gift-splitting” option and make gifts valued at up to \$28,000 a year.

When properly incorporated into an estate plan, a significant amount of gifting to charity can be accomplished using the annual exclusion.

INHERITANCE TAXES



A handful of states impose an inheritance tax. Illinois is not one of them; however, if you gift to a beneficiary in another state an inheritance tax could be imposed.

Unlike gift and estate taxes, this tax is levied *after* assets are transferred. Therefore, the *recipient* must pay the tax.

A photograph of three people sitting around a dark table outdoors, reviewing documents. A woman with long brown hair and glasses, wearing a blue button-down shirt and a pearl necklace, is smiling and pointing at a document. A man in a light blue checkered shirt is looking at the document with his arms crossed. A woman with long brown hair, wearing a black top, is also looking at the document. The background features a brick wall and green foliage. A semi-transparent blue banner is overlaid across the middle of the image, containing the text "PERSONAL AND BUSINESS TAXES" in white, serif, all-caps font.

PERSONAL AND BUSINESS TAXES

Charitable gifts may offer a tax deduction to a taxpayer, or a business, in the year the gift is made.

Care must be taken, however, because the gift could ultimately be taxed if your estate ends up owing federal or state gift and estate taxes.



CAPITAL GAINS TAXES

Capital gains taxes are paid on the gain realized upon the sale of a capital asset, such as a home.

The tax can be substantial; however, strategic use of charitable gifting may be able to decrease, or eliminate, the tax.

A photograph of three business professionals in an office setting. On the left, an older man with white hair and glasses, wearing a light-colored suit, is shaking hands with a younger man on the right. The younger man is wearing a dark blue suit and a striped tie. A woman in a dark business suit stands between them, smiling. The background is a bright, modern office with large windows. A semi-transparent blue banner is overlaid across the middle of the image, containing the title text.

USING CHARITABLE GIFTING TO FURTHER YOUR LEGACY

“Legacy planning” is the term used to refer to a specific type of estate planning that goes a step beyond the basics.

Legacy planning incorporates things such as your beliefs, ideals, philosophies, and faith into your estate planning so that they too can be passed down to future generations.

Charitable gifting is often part of a legacy plan.

Your beneficiaries are able to see first-hand the causes that were important to you by gifts you included in your estate plan, such as gifts to:

Educational institutions

Churches or other religious organizations

Humanitarian aid organizations

Animal rights groups

Environmental groups

Political parties

Scientific organizations

A photograph of three business professionals in an office setting. On the left, an older man with white hair and glasses, wearing a light-colored suit, is shaking hands with a younger man on the right. The younger man is wearing a dark blue suit and a striped tie. In the center, a woman with long dark hair, wearing a dark suit and a white blouse, is smiling. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing the text 'CHARITABLE GIFTING OPTIONS' in white, serif, all-caps font.

CHARITABLE GIFTING OPTIONS

Once you have decided to make charitable gifting part of your estate plan, you must decide the method you wish to use to make your gifts.

Your Will may work for small, one-time, gifts; however, gifting in your Will is not usually an ideal method.

Commonly used alternatives options include:

Charitable Trusts – you may wish to create a trust devoted entirely to charitable beneficiaries or you may combine charitable gifting with non-charitable gifting by creating a charitable remainder or charitable lead trust (CRT or CLT).

CRTs and CLTs work by allowing you to designate both a charitable and a non-charitable beneficiary. One beneficiary receives regular distributions over a specified period of time and at the end of that time period the other beneficiary is entitled to the assets remaining in the trust.

Private Family Foundations – a private foundation is a non-governmental, non-profit organization that manages its own funds. This option offers the most “hands-on” control of gifted assets; however, it requires a substantial gift and a considerable time commitment on the part of future generations.

Donor Advised Fund – this option allows you to make an irrevocable, tax-deductible contribution to a professionally managed fund. This options offers considerable tax benefits and an ongoing gift without the time commitment required of a foundation.

Charitable Gift Annuities – with a CGA, you contribute cash or other property acceptable to the charity in exchange for fixed annuity payments to one or two designated individual beneficiaries. This is yet another way to combine charitable and non-charitable gifting.

THE IMPORTANCE OF PLANNING AHEAD



Charitable gifting in your estate plan is an opportunity to leave a lasting legacy; however, it requires considerable planning to ensure that you maximize the value of your gift.

Consult your Illinois estate planning attorney early on about how best to include charitable gifting in your estate plan.

If you have questions regarding charitable gifting, or any other estate planning matters, [contact us online](#) or call us at (336) 547-9999 for a free consultation

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