



# The Art of Giving: Strategies for Effective Charitable Planning

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# Overview

- Charitable giving statistics
- How and when to consider giving
- Tax treatment of charitable gifts
- Split interest gifts
- Donor-Advised Funds



# Charitable giving and why it matters

**Charitable Giving Statistics**

# Charitable giving statistics



**\$499.33B**

Total estimated charitable giving in the United States in 2022



**64%**

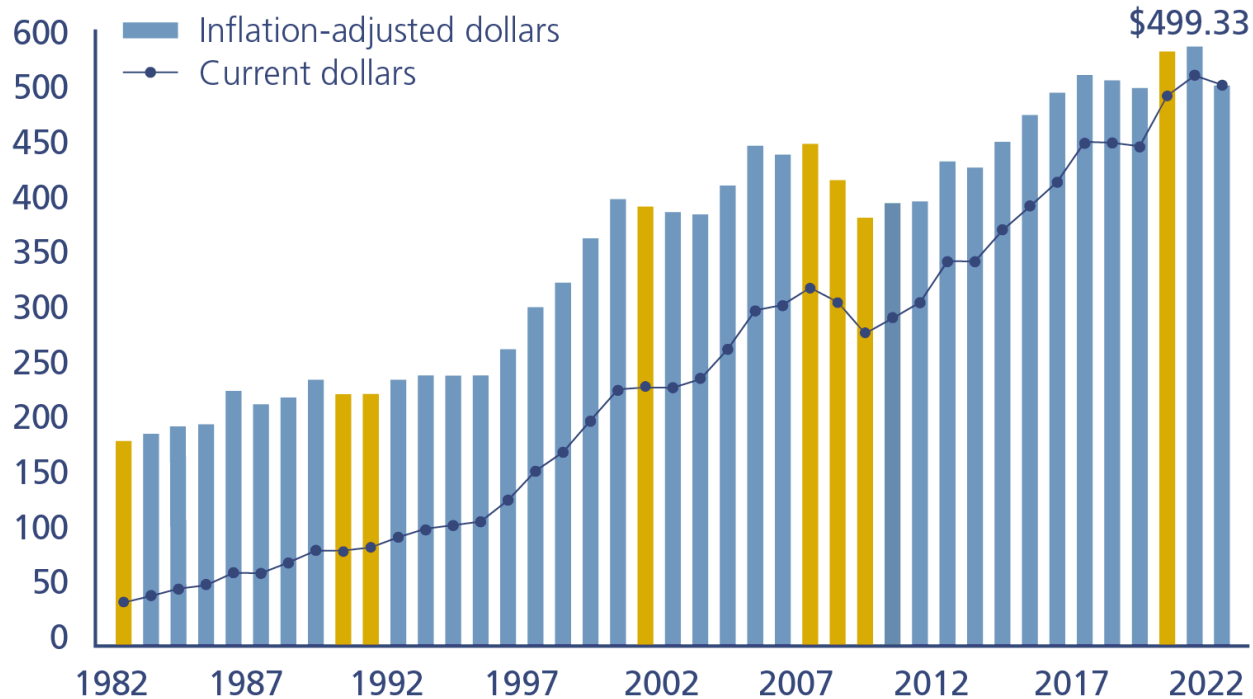
64% of all charitable giving was accounted for by individual donors (\$319.04 billion)



**▼ 2021**

Down 3.4% from an all-time high in 2021

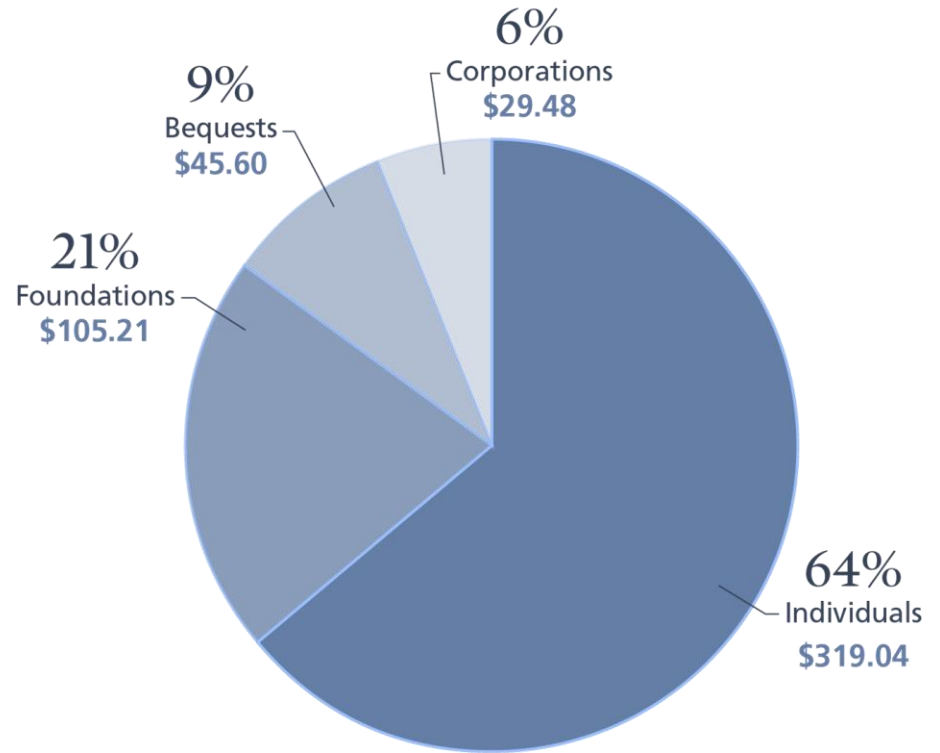
# Total giving, 1982-2022 (in billions of dollars)



## 2022 CONTRIBUTIONS

# \$499.33 billion by source of contributions

(in billions of dollars – all figures are rounded)

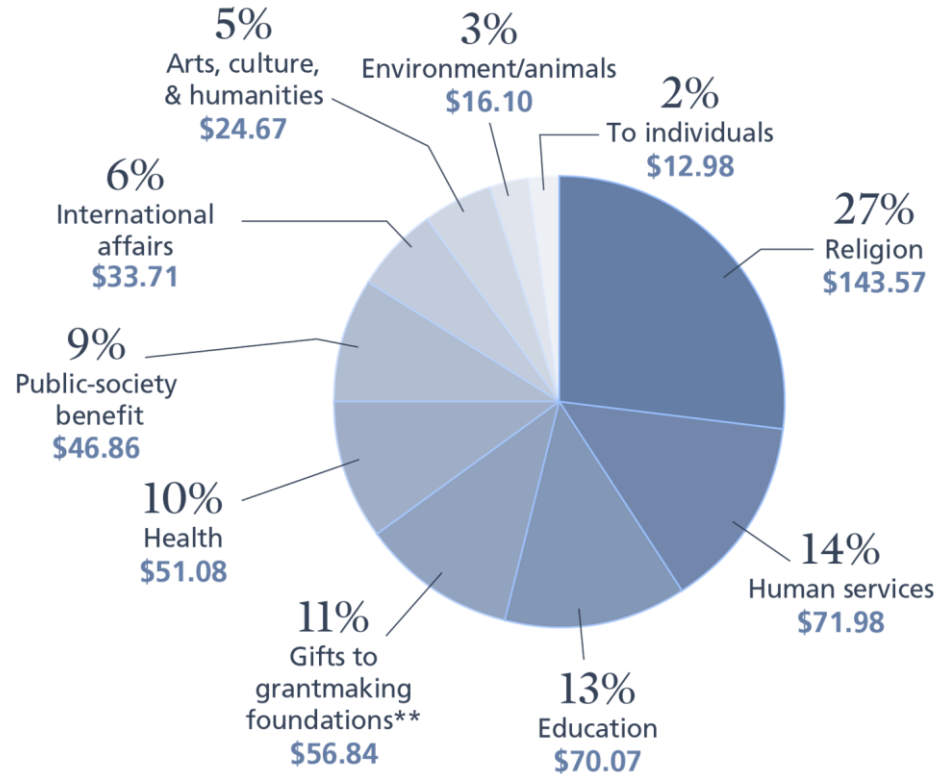




## 2022 CONTRIBUTIONS

# \$499.33 billion by type of recipient organization\*

(in billions of dollars – all figures are rounded)



\* Total includes unallocated giving, which totaled - \$28.54 billion in 2022.

\*\* Estimates developed by Indiana University Lilly Family School of Philanthropy using data provided by Candid.



# How and when to consider giving

## Lifetime Gifts & Testamentary Bequests





# Lifetime gifts

A contribution made by the donor during the donor's lifetime.



**Cash**



**Appreciated Securities**



**Qualified Charitable  
Distribution (QCD)**



**Donor Advised Fund (DAF)**

# The Qualified Charitable Distribution (QCD)

- Individuals **must be 70 ½ or older**
  - SECURE Act & SECURE 2.0 did not change the minimum age for a QCD
- **Can transfer up to \$100,000 per year** (adjusted for inflation starting in 2024) directly from IRA custodian to a qualified charity
  - The money cannot be sent to the individual
- Qualified Charitable Distributions **can satisfy** the Required Minimum Distribution (RMD)
- QCD amount is **not included** in the donors Adjusted Gross Income
- Taxpayer **must make an active election** on their tax return to indicate the distribution from the IRA custodian qualified as a QCD





# Testamentary bequests

A contribution made at or after the death of the donor.



## Provision in a will or trust

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## Beneficiary designation

- IRA
- Qualified Plan
- Annuity
- Life Insurance

# Planned gift

- Generally defined as any gift that is not cash or stock
- Gift is planned now and received later and requires detailed work by the donor, their financial professionals and the benefiting charity

## Examples



**Charitable  
Remainder Trust**



**Charitable  
Gift Annuity**



**Gifts of land,  
home, cabin, etc..**



# Life insurance

## CHARITY AS THE **BENEFICIARY**

- ✓ No current tax benefit
- ✓ Removed from the estate

## **POLICY OWNED BY A CHARITY**

- ✓ Gift of existing policy
  - May be eligible for a tax deduction
- ✓ New policy with charity as the owner
  - Generally, the donor pays premiums as gifts to the charity



Tax deductions for charitable gifts

# Income tax deduction

- Donor is eligible for an income tax deduction for a gift to a qualifying charity
- Deductions are capped at a percentage of AGI depending upon the asset given and can be carried over for a five-year period



**The gift must be a GIFT,  
no deduction for:**

- ✗ Gifts to specific individuals
- ✗ Charitable loans
- ✗ A quid pro quo

# Tax treatment of charitable gifts

GIFT	ADJUSTED GROSS INCOME (AGI) DEDUCTION LIMIT	VALUE OF ASSET
Cash	60% 50% on January 1, 2026	Cash amount
Long-term securities and real estate holdings	30%	Fair market value
Short-term securities and real estate holdings	50%	Cost basis
Ordinary income property	50%	Cost basis
Personal property	Related – 30% Unrelated – 50%	Fair market value Lesser of fair market value or cost basis

# Gift and estate tax deduction

## GIFT TAX CHARITABLE DEDUCTION

- ✓ Unlimited gift tax charitable deduction for lifetime gifts
- ✓ May not impose conditions, restrictions or contingencies

## ESTATE TAX CHARITABLE DEDUCTION

- ✓ Estate may take charitable deduction for testamentary transfer to a qualifying charity





# Split interest gifts

Charitable Remainder Trusts & Charitable Gift Annuities

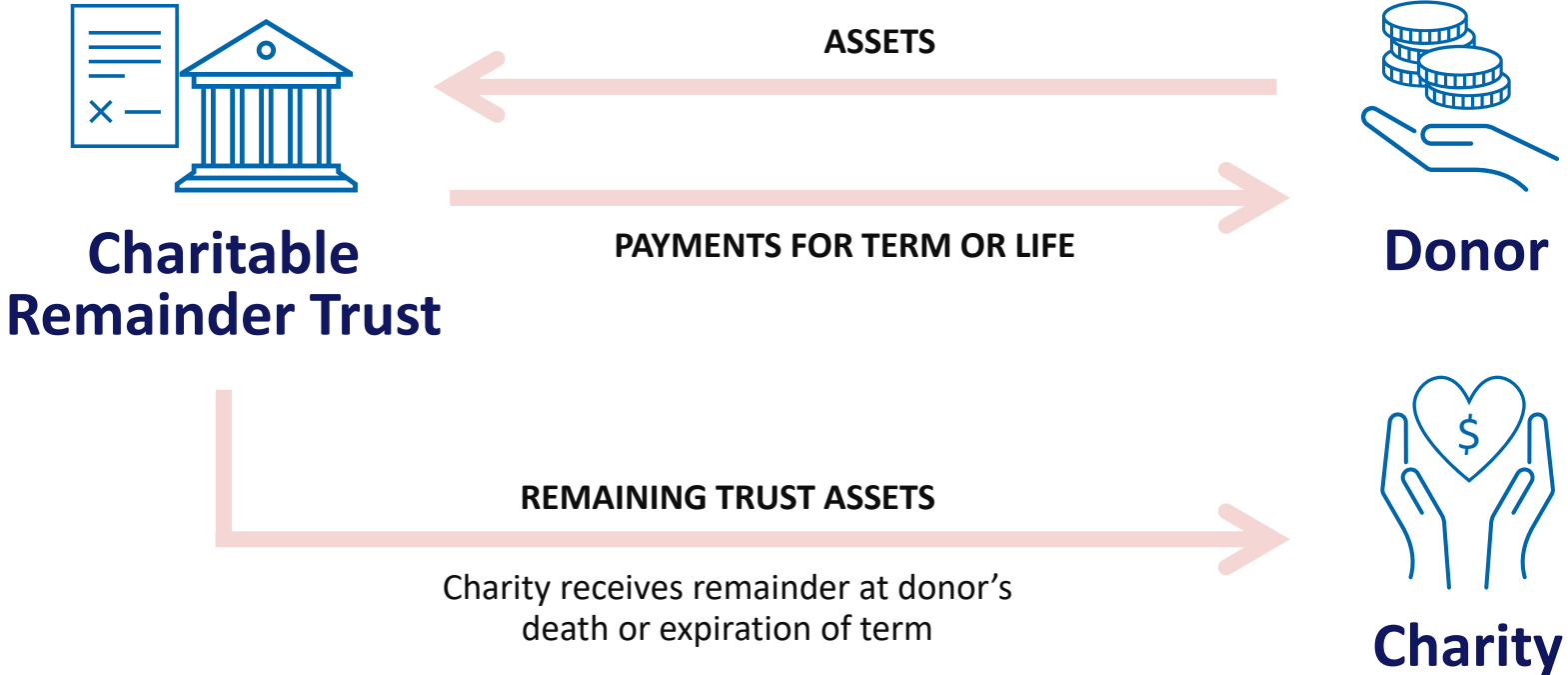
# Charitable Remainder Trusts (CRT)

- Irrevocable transfer of assets to a trust
- Income distributed at least annually from the trust (generally to the grantor) for a term of years (up to 20) or the lifetime of the grantor or the grantor and their spouse



**When the term ends or the measuring lives pass away, the remaining assets in the trust go to named charitable beneficiaries.**

# Charitable Remainder Trusts (CRT)



# Charitable Remainder Trusts (CRT)

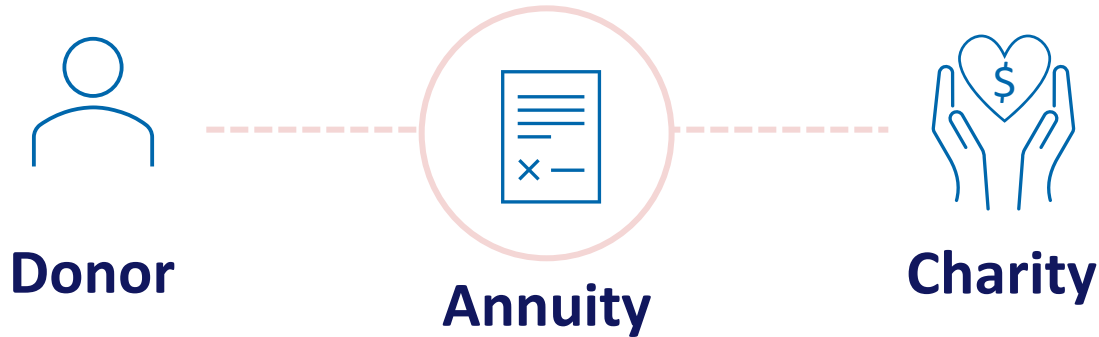
## CHARITABLE REMAINDER ANNUITY TRUST (**CRAT**)

Payment stream is a fixed percentage based on the **initial investment** in the trust (fixed payments during the term of the trust)

## CHARITABLE REMAINDER UNITRUST (**CRUT**)

Payment stream is a fixed percentage based on the **value of the trust assets** on the trust valuation date (variable payments during the term of the trust)

# Charitable Gift Annuities (CGA)



- Payout to the donor is based on their age when the CGA was established
- CGAs are issued by the sponsoring charity, commercially available annuities cannot be CGAs



# Charitable Lead Trusts (CLT)

- An income stream to charity, then an asset reverts to the donor or other beneficiary
- The structure is essentially the opposite of a CRT
- If properly structured as a non-grantor CLT, the asset is removed from the donor's estate
- If properly structured as a grantor CLT, the donor receives an income tax deduction



# Donor-Advised Funds

The rules & their ever-increasing popularity



# Donor-Advised Funds (DAFs)

- A current gift if used to establish or add to a DAF



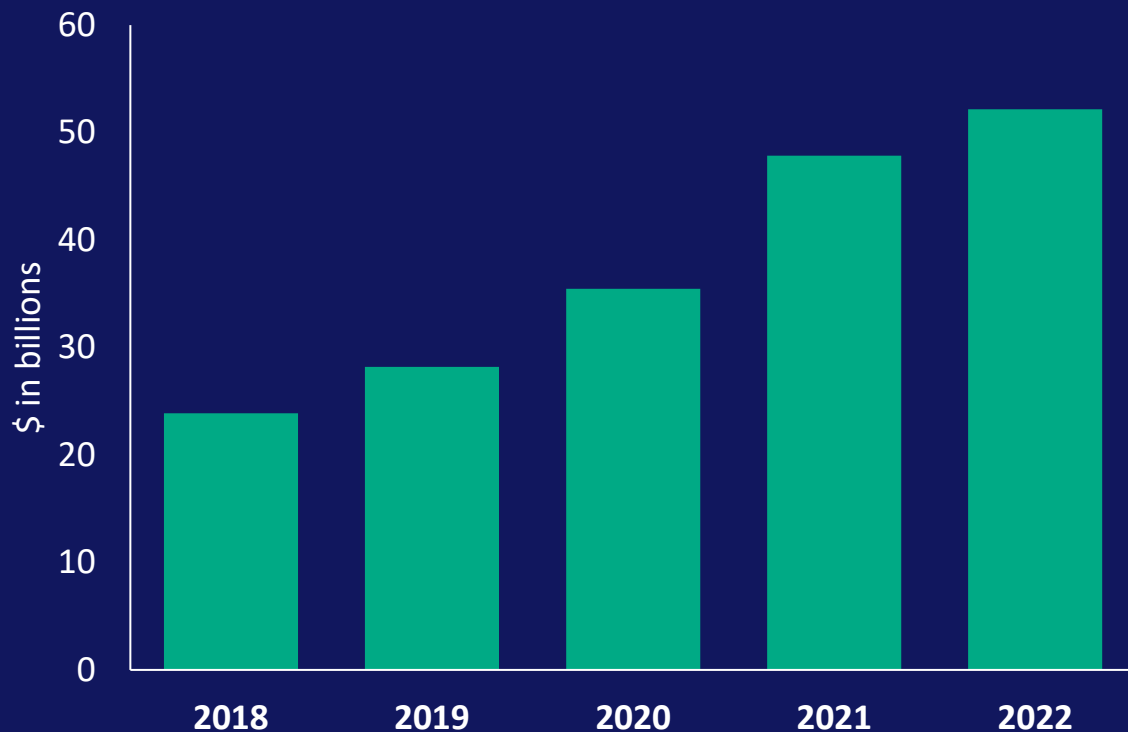
**Cash**



**Appreciated Securities**

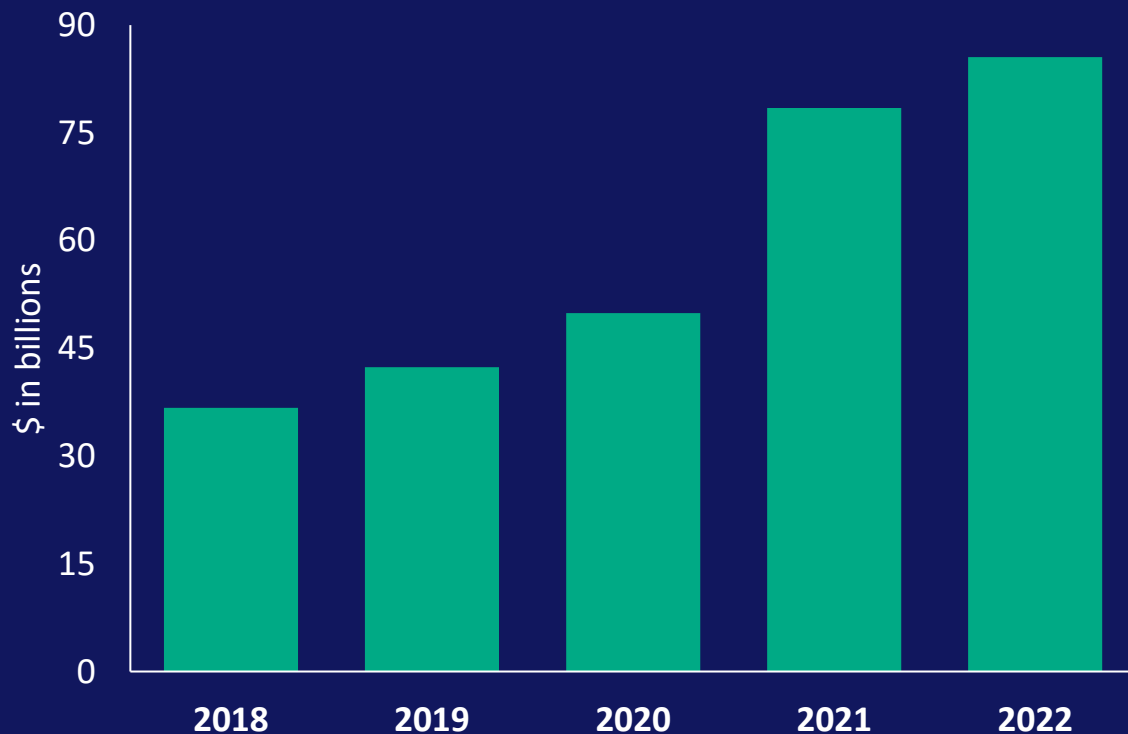
- Donor is eligible for a tax deduction the year a contribution is made to a DAF
- Donor then makes a grant recommendation to the DAF and the DAF makes a gift to a charity

# Total value of grants made by DAFs



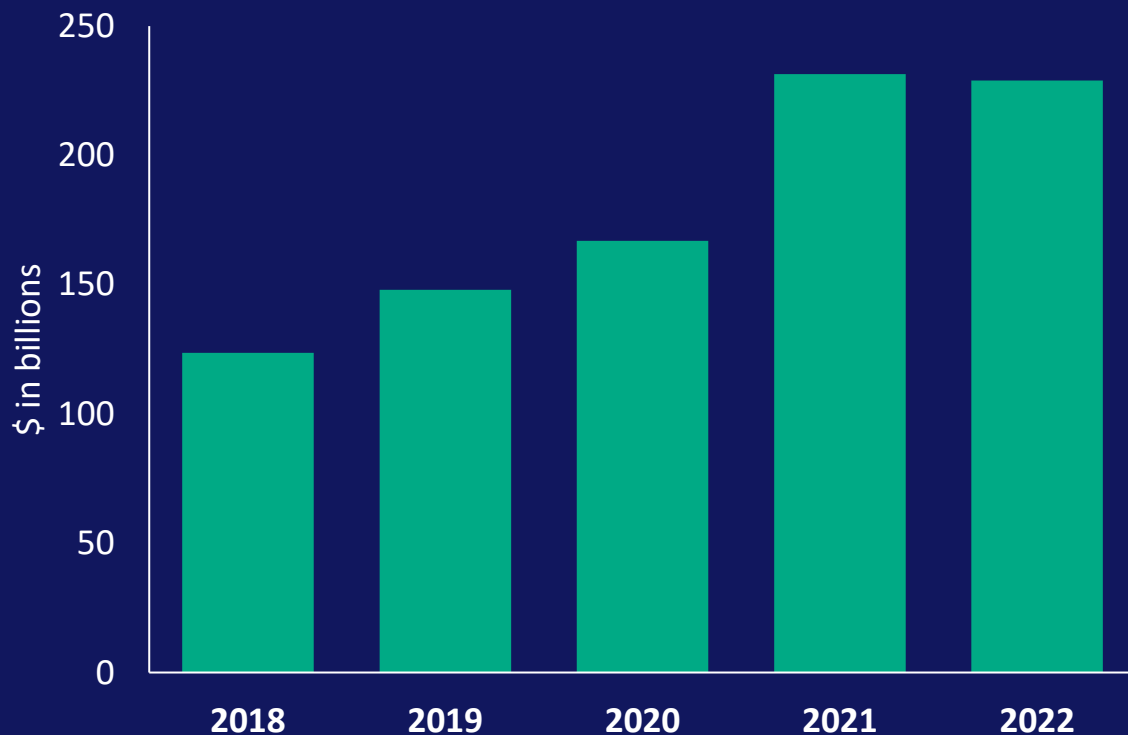
Year	Total value
2018	\$23.87B
2019	\$28.19B
2020	\$35.44B
2021	\$47.83B
2022	\$52.16B

# Total value of contributions to DAFs



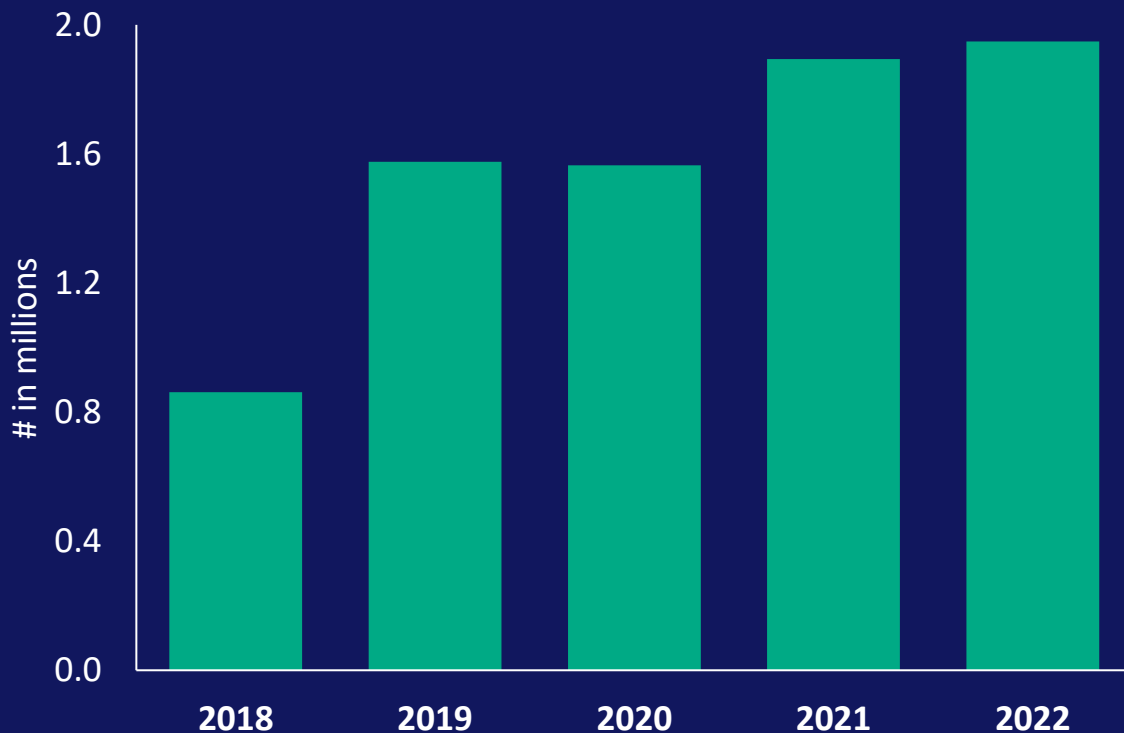
Year	Total value
2018	\$36.70B
2019	\$42.35B
2020	\$49.88B
2021	\$78.44B
2022	\$85.53B

# Total assets in DAFs



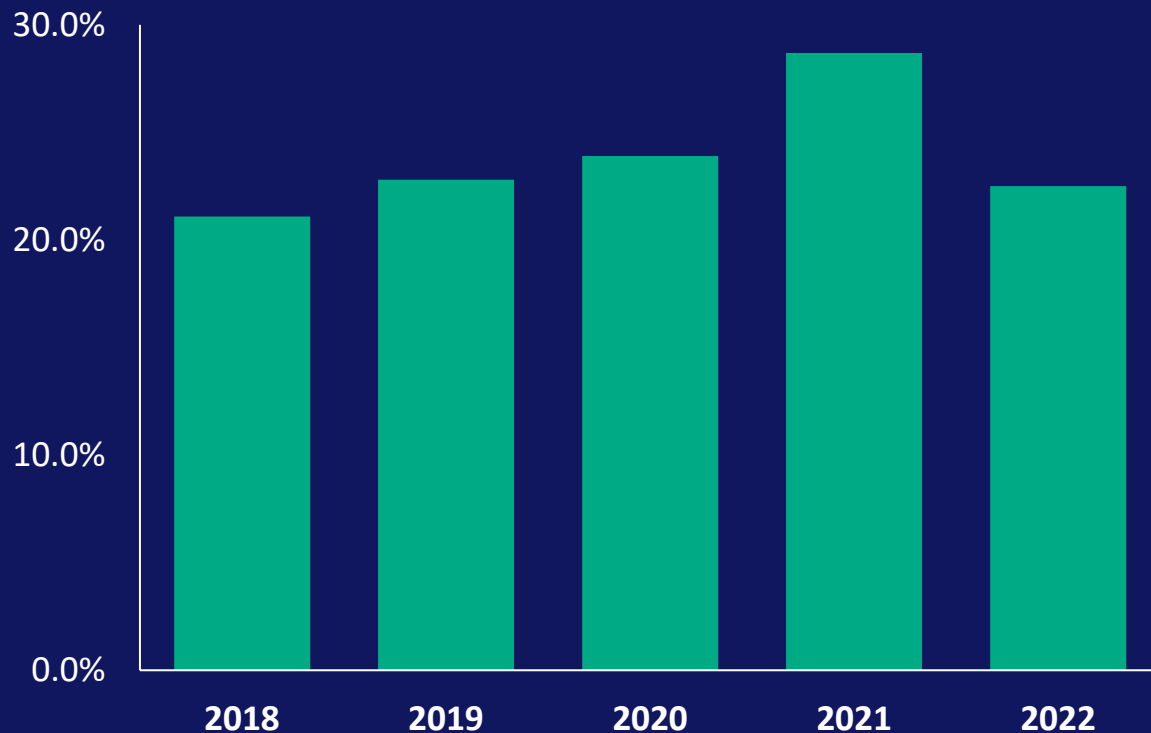
Year	Total value
2018	\$123.62B
2019	\$148.02B
2020	\$166.90B
2021	\$231.35B
2022	\$228.89B

# Total number of DAF accounts



Year	Total
2018	861,327
2019	1,575,827
2020	1,565,419
2021	1,893,762
2022	1,948,545

# DAF payout rate



Year	Payout rate
2018	21.1%
2019	22.8%
2020	23.9%
2021	28.7%
2022	22.5%





# Gifts that require ongoing donor involvement

Private Foundations & Supporting Organizations

# Comparing ongoing donor involvement

	DONOR-ADVISED FUNDS	PRIVATE FOUNDATIONS	SUPPORTING ORGANIZATIONS
<b>Structure</b>	Written Agreement	Corporation or Trust	Corporation or Trust, IRC 509 (a)(3)
<b>Cost to Establish</b>	Depends on Charity, generally less than \$1,000	Significant legal and accounting fees	Significant legal and accounting fees
<b>Cost to Run</b>	Flat annual fee or a percent of the assets. Generally, less than 1%	Annual admin and operating expenses	Annual admin and operation expenses
<b>Minimum Donation</b>	\$10,000, but depends on the DAF	\$1 million+ Some suggest \$5 million	\$1 million+
<b>Deduction Limits</b>	Cash: 60% Appreciated Assets: 30%	Cash: 30% Appreciated assets: 20%	Cash: 60% Appreciated Assets: 30%
<b>5-Year Carryover?</b>	Yes	Yes	Yes
<b>When to Use?</b>	Deduction now, gifting later to potentially multiple charitable organizations	HNW or UHNW clients who wish to create a permanent endowment and establish a legacy of philanthropy	HNW or UHNW clients who want to avoid the restrictions imposed by the private foundation



Action a financial professional can take



Ask your clients  
about philanthropy!

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***“What is it you want to  
do with your money that  
is meaningful to you?”***

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# Questions

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