Building and Protecting Your Legacy: A Primer About Gift Planning

What is Gift Planning?

Gift planning encompasses a variety of ways that gifts can be made to your family and favorite charities, such as the church from accumulated resources. It usually involves financial or estate planning, but it is not reserved for the wealthy. Gift planning is a means by which anyone concerned with the prudent use of their personal resources makes a considered choice about their ultimate disposition. Gift planning may entail:

- A Will or Codicil Bequest;
- A Life Income Gift such as a pooled income fund & charitable gift annuity;
- Charitable Trusts;
- Gifts of Special Assets (real estate, closely held stock, life insurance, retirement accounts); and
- Donor-advised Funds.

Gift planning establishes a way for you to provide for family members while making a bequest to your church or other favorite charity. It often enables you to provide more for your heirs and to make a larger gift than thought possible. It often reduces taxes as well.

Gift planning includes either outright gifts (i.e., gifts of appreciated securities, real property, personal property, etc.) or deferred gifts (i.e. bequests, charitable gift annuities, charitable trusts or donor-advised funds).

Gift Planning Vehicles

A Will or Codicil Bequest is a simple, revocable bequest that allows the donor flexibility for future changes to a will while not affecting their current lifestyle. Donors can provide for both individual heirs and favorite charities. Estate taxes are avoided when assets are passed to charities. Additionally, bequests may provide donors the ability to make larger gifts than otherwise thought possible.

Life Income Gifts

Life income gifts provide you or your designated beneficiary income for life in exchange for your gift. The two most common types of life income gifts are a pooled income fund and a charitable gift annuity.

In the **Pooled Income Fund**, gifts ($2,500 gift minimum) are "pooled" with other gifts and invested in a professionally managed investment portfolio. The donor receives the following benefits: 1. a guaranteed income for life. The amount of the income depends on the rate of return on the fund's investments. The income can also flow to another designated beneficiary; 2. a federal income tax deduction usually based on the age of the donor and/or beneficiaries; 3. the elimination of capital gains taxes, if the gift is funded through appreciated securities such as stocks or bonds; 4. a possible reduction in estate taxes; and 5. the residual principal stays with the sponsoring organization at death.

The benefits of establishing a **Charitable Gift Annuity** are similar to that of the pooled income fund with the following differences: the minimum gift is $5,000; the income for life is guaranteed at a fixed amount; a portion of the gift is deductible; and a portion of the income received is tax exempt.

Charitable Trusts

A Charitable Remainder Trust is available to donors using assets of $100,000 or more. They can be funded with various types of assets, including real estate. Like the pooled income fund and the charitable gift annuity, the charitable remainder trust provides income for life, an income tax deduction, relief from capital gains taxes (if funded through appreciated property), and a possible reduction in estate taxes. The income fluctuates based on the performance of the portfolio.

If you are seeking fixed income annually, a charitable remainder annuity trust is an option.

The Charitable Lead Trust, another estate planning tool, enables you to transfer assets to a trust that pays its income to the charity such as your church for a set period of time. At the end of the term, the principal and all capital appreciation returns to you or others named.

Gifts of Real Estate, Appreciated Property, and Tangible Personal Property

Real estate or securities can be the source of your gift to your favorite charity.

Using a **Charitable Life Estate Contract**, for example, you can deed your home, vacation home, farm, or condominium to the church and retain the right to live on the property and/or receive income from the property for as long as you live. You receive an income tax deduction when the property is deeded to the charity and normally avoid any capital gains taxes when making the transfer. Your inheritance and estate taxes may be reduced at the time of your death.

Gifts of appreciated real estate or securities allow you to avoid capital gains taxes. It is important to transfer the stock or real estate to the charity prior to selling it. However, if the securities or real estate have decreased in value, you should consider selling the assets before making the gift, thus establishing a capital loss and a potential tax deduction.

Gifts of tangible personal property, such as jewelry, coins, works of art, automobiles, etc. may also be given to a charity. You are responsible for setting an appraised value on the gift. Any gift over $5,000 must be independently appraised.

Gifts of Life Insurance & Retirement Accounts

Life Insurance is another way to make a sizeable gift to a charity. For example, you can purchase a new policy and make the church the owner and beneficiary of the policy. This enables you to leverage your gift and make a larger gift.

Contributions to your church to pay the ongoing premiums as a charitable gift become tax deductible. You can make the church the owner and beneficiary of an existing policy. The current value of the policy is tax deductible, as are future premium payments.

The remainder value of many **retirement accounts** can be passed tax-free to your charity at death. The new PATH law establishes the permanence of qualified charitable deductions (QCDs). Once IRA owners reach age 70 ½, they usually take certain required minimum distributions (RMDs) each year. QCDs up to $100,000 per year can be made in lieu of RMDs.

Donor-Advised Funds

A donor-advised fund is a charitable giving vehicle sponsored by a public charity that allows you to make a contribution to that charity and be eligible for a tax deduction, and then recommend grants overtime to any IRS-qualified public charity.

Donor-advised funds are the fastest-growing charitable giving vehicle in the U.S. because they are one of the easiest and most tax-advantageous ways to give to charity. When you donate to your donor-advised fund, you are making a tax-deductible donation to the organization sponsoring the fund. But because your account is a donor-advised fund, you advise the organization on how to grant the money out to your favorite charities such as the church. Your donation is also invested based on your preferences, so it has the potential to grow, tax-free, while you are deciding which charities, such as the church to support.

You can also donate cash, stocks, real estate or non-publicly traded assets such as real estate and stock.

Trusted Advisor(s)

The PPC recommends that you consult with your trusted advisor(s) on Gift Planning and Gift Vehicles to determine what form of a gift and vehicle makes most sense for you.

St. Christopher's
Personal Planning Committee

Formed to provide education about personal planning and referrals to qualified professionals in fields of legal, financial and health planning, the Committee works to encourage parishioners to develop and keep updated their personal health, financial and asset or estate plans. We encourage discussions within families.

the CLOISTER SOCIETY

We manage the Cloister Society and celebrate those who have made or planned gifts to St. Christopher's, unless they choose to remain anonymous.

We will be long-term stewards of St. Christopher's, cooperating to build the church's Endowment.

Committee Members

Errol James	(508) 432-1331
Jill MacDonald	(508) 945-2764
George Olmsted	(508) 945-3686
Philip Reed	(508) 237-5158
John Sargent	(508) 255-1005
Pieter Schiller	(508) 945-1934
John Trimble	(508) 945-9989
Allen Ward	(508) 945-5517

www.stchristopherschatham.org/personal-planning

St. Christopher's
EPISCOPAL CHURCH
625 Main Street
Chatham, Mass. 02633
(508) 945-2832
www.stchristopherschatham.org

Saint Christopher's Episcopal Church

Building and Protecting Your Legacy: A Primer About Gift Planning

the CLOISTER SOCIETY
Passing Our Faith to Future Generations