

Charitable Opportunities

“The Secrets Your Advisors Rarely Tell You”



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2023 Federal Tax Brackets

Expires December 31, 2025

Rate	Taxable Income Single	Married Filing Jointly
10%	\$0 to \$11,000	\$0 to \$22,000
12%	\$11,000 to \$44,725	\$22,000 to \$89,450
22%	\$44,725 to \$95,375	\$89,450 to \$190,750
24%	\$95,375 to \$182,100	\$190,750 to \$364,200
32%	\$182,100 to \$231,250	\$364,200 to \$462,500
35%	\$231,250 to \$578,125	\$462,500 to \$693,750
37%	\$578,125 or more	\$693,750 or more



Taxes

Estate and Gift Tax in 2023

- Estate Exemption: \$12,920,000 per person
 - Sunsets Dec. 31, 2025, reverts to \$5 million adjusted for inflation
- Estate Tax Rate: 40%
- Gift Tax Annual Exclusion: \$17,000
 - *Note: The gift tax refers to your gifts to individuals, not charity*

Long Term Capital Gains and Qualified Dividends

- Can be 0%, 15% or 20% depending upon income level

Additional Taxes

- Medicare: find your cost at www.medicare.gov
- California's top tax rate is 13.3% for taxable income above \$1,000,000 (single) or \$1,198,024 (married filing jointly)

Secure Acts

Setting Every Community Up for Retirement Enhancement (SECURE & SECURE 2.0) Acts

Effective Jan. 1, 2020, and Jan. 1, 2023

- The required minimum distribution (RMD) for an IRA increased from age 70½ to age 72 in 2020 and to age 73 in 2022
 - RMD will increase to age 75 in 2033
- Eliminated the stretch IRA
 - Inherited IRA must fully distribute within 10 years
- Created option of IRA Rollover to Charitable Gift Annuity
 - One-time (ever) distribution of up to \$50,000 from IRA
 - Provides a lifetime income stream
 - Can fulfill your RMD





Charitable Partner Solutions

- Avoidance of capital gains tax
- Current income tax deduction
- Receive a variable or fixed income for life of one or more individuals
- Reduce your taxable estate
- Transfer wealth to your family
- Future savings on income taxes

Donate During Lifetime Via Your IRA

Technical name: IRA Charitable Rollover

- Available if at least age 70½ and you have an IRA
- Avoid taxes on transfers of up to \$100,000 directly from your IRA to a qualified charitable organization
- If 73 or older:
 - Satisfy your required minimum distribution (RMD) for the year with a qualified charitable distribution (QCD)
 - Reduce your taxable income, even if you do not itemize deductions
- Gift not subject to the 60% cash deduction limits on charitable gifts (30% deduction limit for non-cash gifts)
- Help support the mission of an organization that is important to you
- ❖ *Cannot be used to fund a donor advised fund, supporting organization, charitable remainder trust or in exchange for a charitable gift annuity*



Example of IRA Charitable Rollover

Donation Example

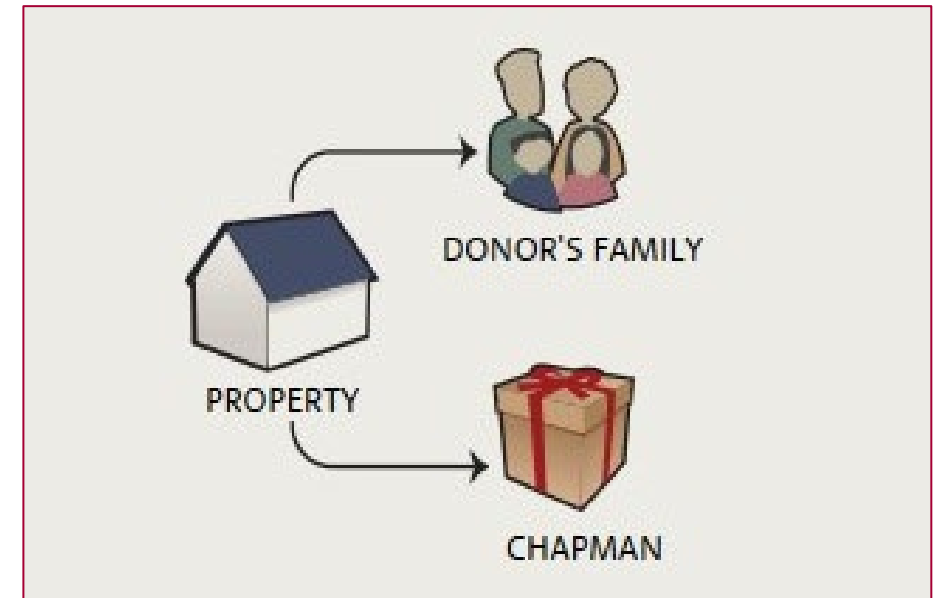
- You are single, age 75, and in the 24% income tax bracket
- You have an IRA with a required minimum distribution (RMD) of \$50,000.
- You tell IRA plan administrator:
 - Send me \$30,000 for my personal use
 - Send the remaining \$20,000 directly to my selected nonprofit organization as a qualified charitable deduction (QCD).
- You save \$1,476 in taxes without itemizing
- AND your Medicare bill might not go up!



Donate Via Will Or Living Trust

Technical name: Bequest

- Provision within your will or living trust for a qualified non-profit organization
- Gift occurs after your lifetime
- 100% of value passes to charity without taxation
- Reduces the value of your estate, potentially saving estate taxes



Donate Retirement Assets After Lifetime

Technical name: Beneficiary Designation

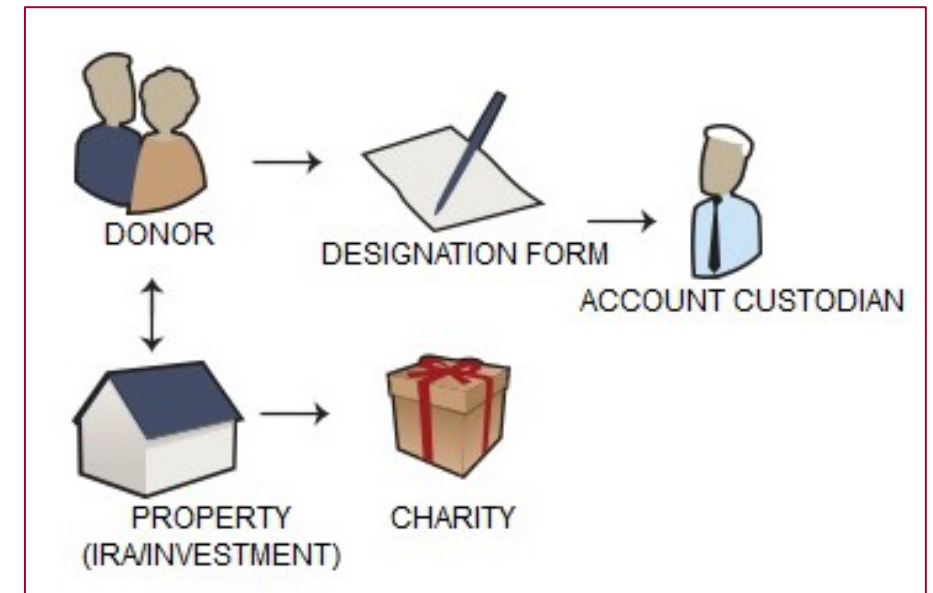
Name charity as beneficiary of investments and other accounts

- Stock
- Bank account
- Life insurance policies

Name charity as beneficiary of pre-tax assets*

- IRA
- 401(k) or 403(b) accounts
- Savings bonds
- Commercial annuity

** Income in Respect of Decedent (IRD) assets left to heirs are fully taxable. IRD assets left to a qualified charity are tax exempt, so 100% of the value supports their mission.*



Taxable Estate:

Bequest of IRA to Charity vs IRA to Grandchild

	BEQUEST TO CHARITY	NO CHARITY
ESTATE	\$20,000,000	\$20,000,000
Costs (2.00%)	\$400,000	\$400,000
BEQUEST OF IRA	\$1,000,000	\$0
P.Value 5.00%/0.0 years	\$999,787	
Net Taxable Est.	\$18,600,000	\$19,600,000
Tentative Tax	\$7,385,800	\$7,785,800
DSUEA	\$0	\$0
Unified Credit	\$4,769,800	\$4,769,800
Gen. Skip. Tax	\$0	\$240,000
Estate Tax	\$2,616,000	\$3,016,000
Income Tax From IRA (TT-UC)	\$0	\$133,200
NET TO FAMILY	\$15,984,000	\$16,210,800

Who Gets What Matters

\$2.5 million Estate = \$1.5 million IRA & \$1 million house

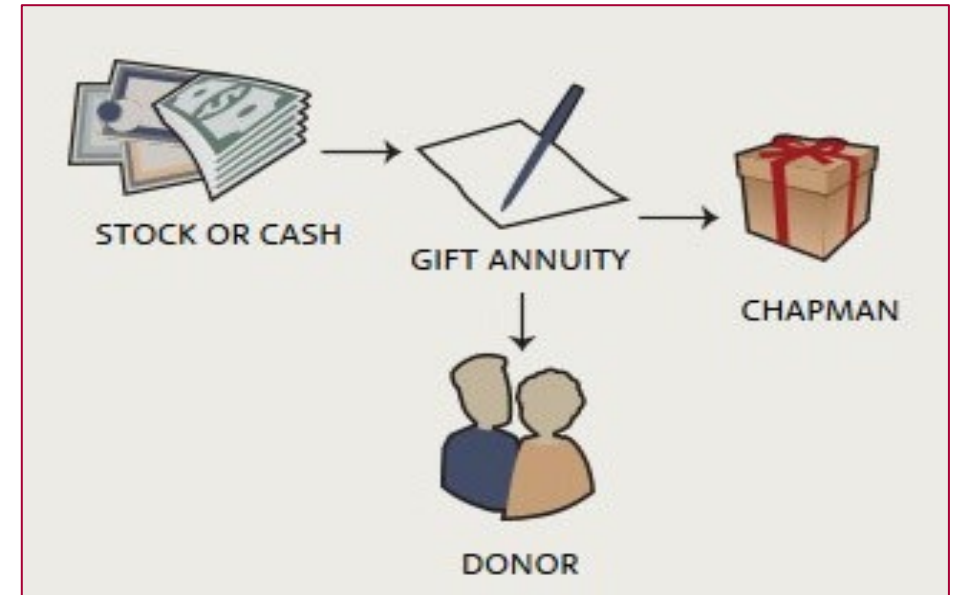
IRA (kids); House (charity)		VS	IRA (charity); House* (kids)	
\$1,500,000	IRA to kids		\$1,500,000	IRA to charity
\$555,000	Fed max tax			
\$199,500	CA max tax		\$1,000,000	House to kids
\$745,500	Remains for kids		\$0	no tax
			\$1,000,000	to kids
\$1,000,000	House to charity			*Step-up in basis at death

Make a Gift, Get an Income

Technical name: Charitable Gift Annuity

How it works

- Simple agreement
- No lawyers or fees
- Rate based upon age at time of gift
- Immediate income tax deduction
- Secure lifetime income stream
- Portion of income is tax exempt



Gift Annuity Rates

Most non-profits follow the recommended rates set by the American Council on Gift Annuities (ACGA).

- The rate is based on your age at the time you set up the gift annuity
- Once you establish a gift annuity, the payment never changes
- Only a new gift can qualify for a new rate
- A different rate chart is used for 2-person gift annuity
- ACGA recommended rates are evaluated twice per year
- Current rates became effective January 1, 2023

Rates displayed are for an immediate one-life gift annuity

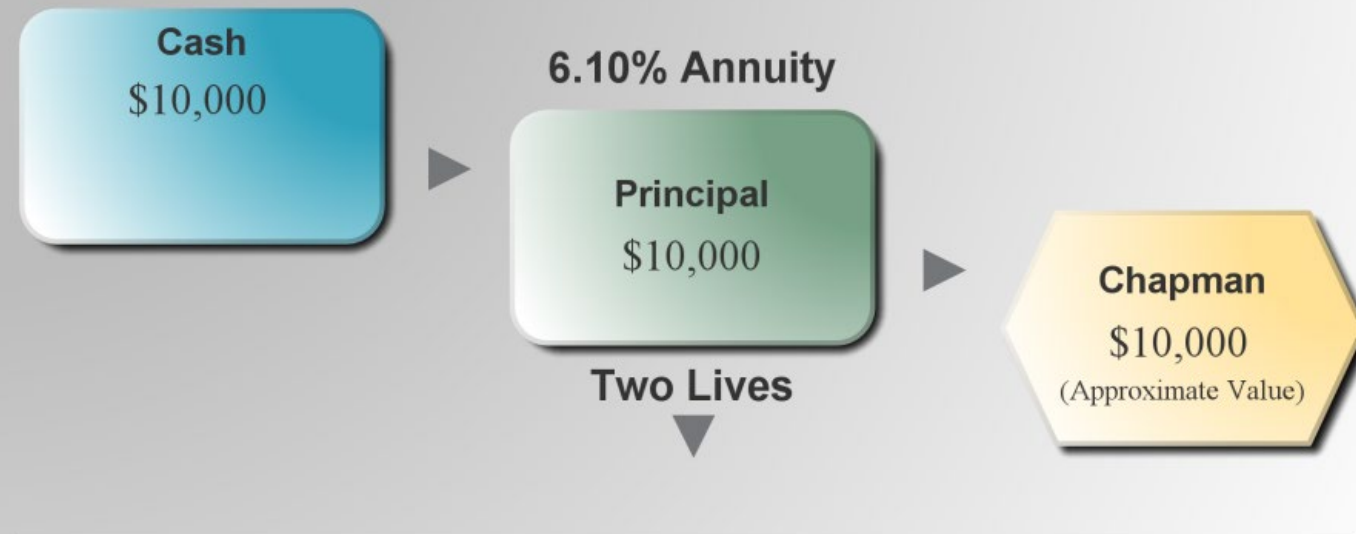
- Two-life annuities payout at a slightly lower rate
- A deferred annuity will pay a higher rate

Age	Rate
60	5.0
65	5.4
68	5.7
70	5.9
72	6.2
74	6.4
76	6.8
78	7.2
80	7.6
82	8.1
84	8.5
86	8.9
88	9.3
90+	9.7

Illustration

Charitable Gift Annuity

Prepared For Stephen Sample (78)
Prepared For Dorothy Sample (76)



1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of \$4,011 may save \$1,484.

2. Annuity of \$610.00 for two lives. Tax-free amount \$401.99. Estimated two lives payout of \$11,529. Effective payout rate 9.9%.

3. Quarterly payments for two lives. Property passes to charity with no probate fees. There are also no estate taxes, if married.



Strategies with Gift Annuities

Immediate Annuity

- Current tax deduction
- Immediate payment to income beneficiary

Deferred Annuity

- Current tax deduction
- Annuity payments deferred to future date
- Higher payout rate offered due to the deferment

Testamentary Annuity

- Created at death of a donor via trust
- Provide annuity payment to beneficiary
- Great alternative to lump sum distribution to heirs

New Gift Annuity Option

SECURE Act 2.0 created this opportunity starting Jan. 1, 2023

IRA Rollover to Charitable Gift Annuity

- If 70½ or older, fund a charitable gift annuity directly from your IRA
- Once in a lifetime
- Up to \$50,000 (per person) adjusted for inflation
- Reduces RMD from IRA in the year funded
- Creates an immediate lifetime income stream for you (and spouse)
- Remainder to the charity for use after lifetime of income beneficiaries

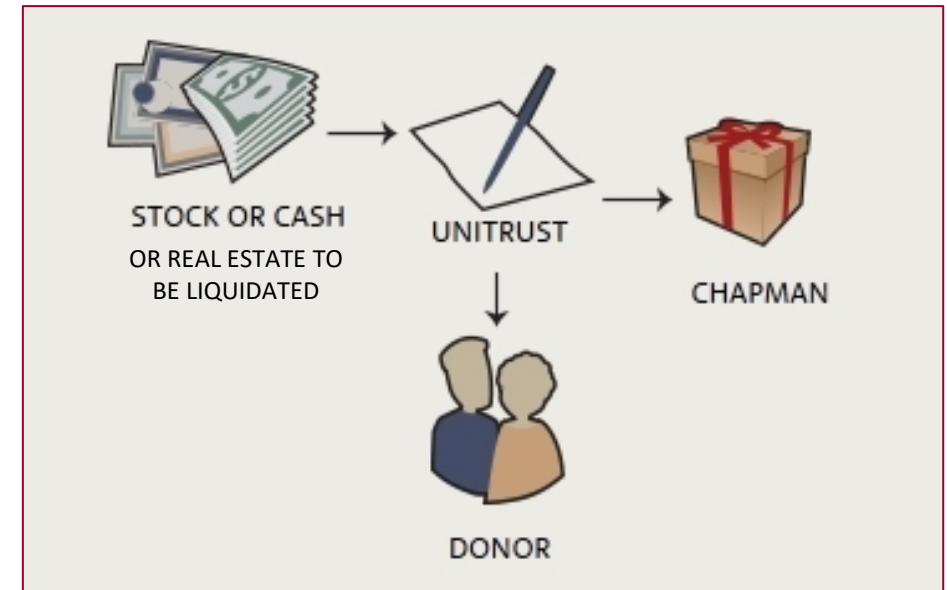


Avoid Capital Gains

Technical name: Charitable Remainder Trust

How it works

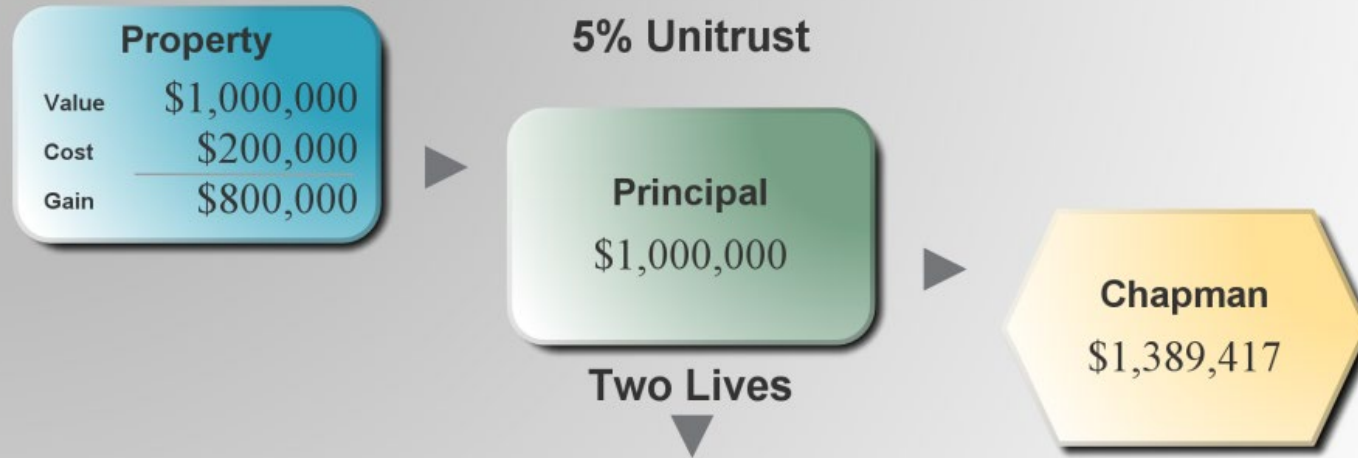
- Attorney drafts agreement
- You get to determine your optimal payout rate
- Immediate income tax deduction
- Choose if trust pays a lifetime (or term) of variable (or fixed) income to donor(s)
 - Unitrust is variable amount
 - Annuity trust is fixed amount
- Remainder of trust becomes a significant gift to one or more charitable organizations



Illustration

Charitable Remainder Unitrust

Prepared For Larry Sample (61)
Prepared For Sally Sample (55)



1. Give asset, sell Tax-Free.

Bypass up to \$800,000 gain may save \$190,400. Income tax deduction of \$251,890 may save \$93,199.

2. UT annual income \$50,000.

Increased income \$20,000 over prior \$30,000 income. Estimated income in 37.2 years \$2,192,663. Effective pretax rate 5.51%.

3. If trust earns 5.89%, pays 5%,

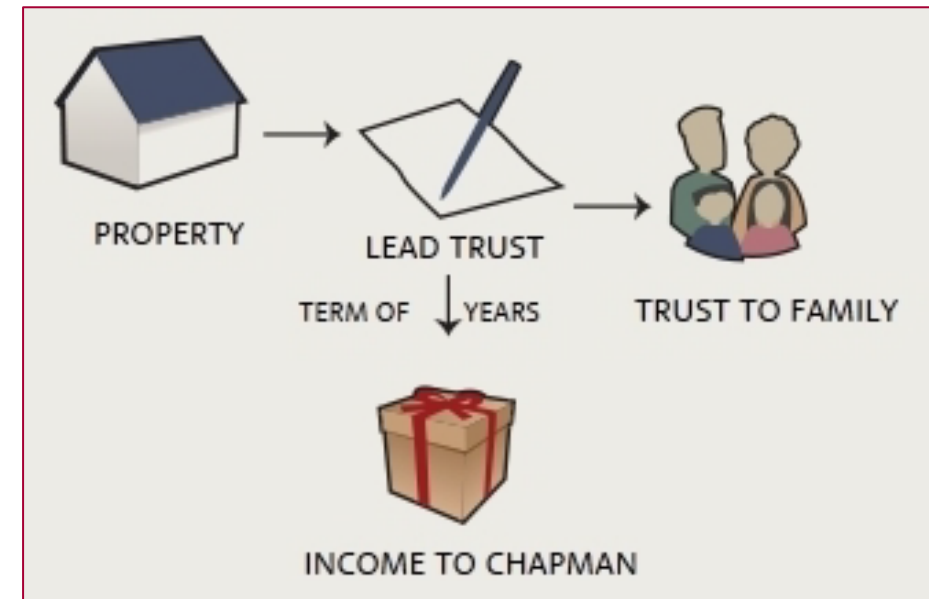
then grows by 0.89%. After two lives, trust passes without probate to charity.

Big Money to Family, No Estate Tax

Technical name: Charitable Lead Trust

How it works

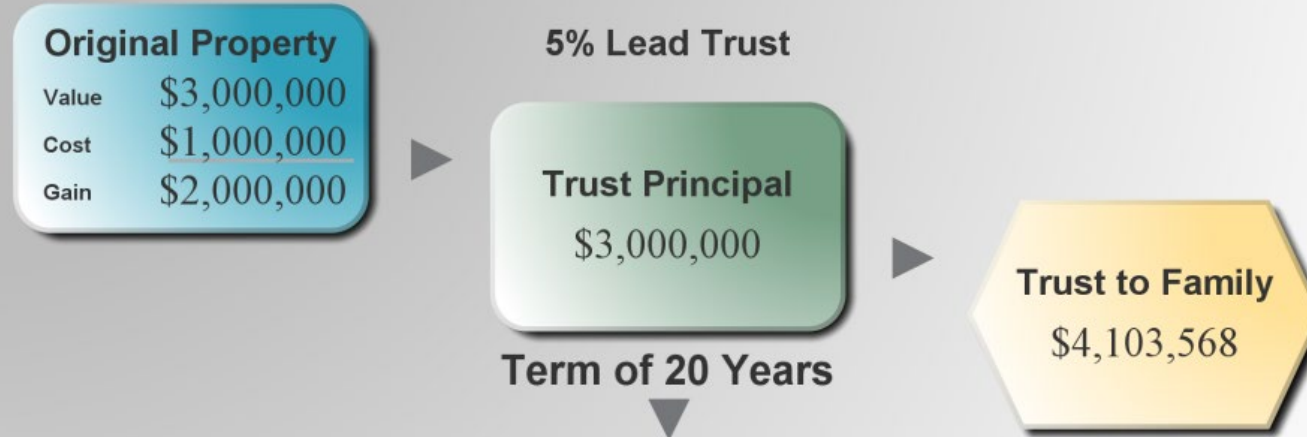
- Attorney drafts agreement
- You make a contribution of your property to fund a trust that pays a qualified charitable organization income for a number of years
- You receive a gift or estate tax deduction at the time of your gift
- After the period of time you determine, your family receives the trust assets plus any additional growth in value



Illustration

Annuity Lead Trust

Prepared For Sally Sample



1. Gift asset to lead trust, charitable gift tax deduction of \$2,471,100. Deduction reduces taxable gift from \$3,000,000 to \$528,900.

2. Income of 5.00% to charity for 20 years. No income tax. First year income \$150,000. Total charitable payments in 20 years \$3,000,000.

3. After term of years, trust distributed to family. Passing \$1,103,568 growth to family saves \$441,427 in gift or estate taxes.



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Additional Smart Giving Options

Live in Your Home, Get a Charitable Deduction

Technical name: Retained Life Estate

- Gift your home to charity and continue to live in it for your lifetime
- Receive an immediate income tax deduction
- Deduction up to 30% of AGI with 5-year carry forward
- Some charities might even pay you while you live in the house

Sale Property at a Discount, Take Tax Deduction

Technical name: Bargain Sale

- Sell your property to a charity for a significantly reduced price
- Receive a charitable deduction for the difference between the bargain sale price and appraised value
- Deduction up to 30% of AGI with 5-year carry forward

Another Smart Giving Option

Donor Advised Fund

- Similar to having your own foundation, but there is no setup cost, operating fees are lower and it can be funded with as little as \$5,000 (and maybe even less)
- You make gifts to the DAF and receive an immediate tax deduction
- Deductions include up to 60% of adjusted gross income (AGI) for gifts of cash and up to 30% of AGI for gifts of appreciated securities, mutual funds, real estate and other assets
- Five-year carry-forward deduction on gifts that exceed AGI limits
- On your own timeline, you advise the DAF administrator (community foundation, Fidelity, Schwab, etc.) on the dollar amount and organization to receive a grant distribution
- The fund can be kept in cash, or invested for growth, which permits you to make annual gifts of income and principal while you are alive
- When you pass away, your children may make recommendations for distributions from the fund for a number of years

Your Lasting Legacy

A legacy gift is the ultimate – *and usually largest* – gift from an individual to support the mission of non-profit.

Things to discuss with the non-profit and record in your plan:

- Assets and strategy
- Designation of purpose
- Immediate use versus endowment (permanent fund)
- Naming opportunities

Your Call to Action

Give intentionally

- *What's important to you?*

Explore giving options with a non-profit's development professional

- *Consider options and ask for gift illustrations*

Discuss with your trusted advisors

- *CPA*
- *Wealth manager*
- *Estate attorney*

Share your giving strategy with others

- *Inspire similar gifts*

Questions and Assistance



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- I provide helpful information that you should share and discuss further with a qualified advisor.
- I am not an attorney, CPA or financial advisor. This is important to note because it means that I am not legally qualified to give legal, tax or investment advice.
- Always discuss your plans with a qualified advisor who is familiar with your unique situation.

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