

FINANCIAL AND ESTATE LITERACY

CHARITABLE GIVING – SPRING 2024 *HOW TO GIVE AND STILL GET BACK*



Don Vivrette

Philanthropic Advisor
Financial and Estate Literacy (FEL)
Don@itsyourmoneyandestate.org

Download the handout at:
<http://iye.iyme.org>



“Ask First!” This form is to be filled out by any person who is offering legal, financial, retirement, insurance, accounting, estate, long-term care or similar planning services. Respond to **ALL** categories completely; sign and date at the bottom of the page.

MY EDUCATION- I have achieved the following level of education (check HIGHEST level achieved):

| | | |
|---|--|--|
| <input type="checkbox"/> Some High School | <input type="checkbox"/> High School Diploma | <input type="checkbox"/> Bachelors Degree |
| <input type="checkbox"/> GED | <input type="checkbox"/> Some College | <input checked="" type="checkbox"/> Masters Degree |

MY CREDENTIAL(S)- I have the following specialized credential(s) (CPA, JD, MBA, years of relevant experience):

| |
|---------------|
| CPA 30+ years |
|---------------|

MY RELEVANT LICENSE(S)- I have the following license(s) giving me authority to provide the services I am offering to you (examples: bar license (attorney); securities license (broker); etc.):

| License Type | Covers What Activities |
|-----------------------------|------------------------|
| Certified Public Accountant | Accounting/Consulting |
| | |
| | |

LEGAL SERVICES- (Check ONE):

- I DO NOT practice law, and the services I am offering to you do not involve practicing law.
 I DO practice law, and have an active license to practice law in California.
 I DO practice law, but DO NOT have an active license to practice law in California.

OUR BUSINESS RELATIONSHIP- Check TRUE or FALSE:

True / False: In our business relationship, I will at all times serve as a fiduciary and put your interests before my interests and those of my employer.

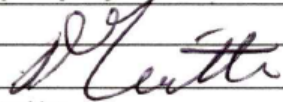
MY COMPENSATION- I will be paid in the following way (commission, fee, salary, etc.), by the named person or company, in connection with the services I am offering to you:

| Way(s) I'll Be Paid | Payment Will Be Made By (name each person or company) |
|---------------------|---|
| Hourly | Client only |
| | |
| | |

FINANCIAL PRODUCTS / AFFILIATED ORGANIZATIONS- Check TRUE or FALSE:

True / False: I offer or sell annuities, insurance, mutual funds or other financial products; or I am, or my employer is, affiliated with a person or organization that offers or sells annuities, insurance, mutual funds or other financial products.

I certify under penalty of perjury that the responses herein are true to the best of my knowledge.

| | |
|--|--------------------------------------|
| Date: April 15, 2023 | Business Name: |
| Signature:  | Address: |
| Print Name: Don Vivrette | Email: Don@ItsYourMoneyAndEstate.org |

Updated March 23, 2024



WHEN IS CHARITABLE GIVING A DEDUCTION AND WHAT TYPE?

- If you give to a charity today and get nothing in return (other than a thank you) then you can get an immediate **INCOME** tax deduction for the total amount.
- If you give to charity today, but get money back over time, then you can get an immediate **INCOME** tax deduction for the NET amount given, not the full amount because you get a benefit back.
- If you give to a charity after you die, your estate gets an **ESTATE** tax deduction, depending on giving the full amount or your heirs getting a return.

ISSUES TO SOLVE

- Desire to give back
- Income tax
 - Tax avoidance
 - Tax deferral
 - Tax deduction
 - Charitable deduction for current + 5 years
- Capital gains tax
 - Sale of residence
 - Sale of investment property
 - Gain from prior a 1031 exchange
- Estate tax
 - Today at a high exclusion - \$13.61 million
 - Gifting today
 - Portability
 - After 2025 with a possible lower exclusion
 - May go as low as \$5 million
- Cashflow
 - Today
 - Tomorrow
 - For you or your beneficiaries or both
 - Time value of money
 - Is a dollar today worth more than a dollar tomorrow?
- Investments
 - Growth in value, but no dividends
 - And capital gains if sold to get cash out
 - Volatility in the market
 - Charitable giving to rebalance a portfolio
 - Retirement account value
 - Comes out as ordinary income (except a Roth)
- Beneficiaries
 - What if they:
 - Got a large cash inheritance today
 - Special needs

RETIREMENT ACCOUNTS – IRD...

- Income in Respect of Decedent (IRD) = Individual Retirement Account (IRA), 401(k), 403(b) ... No tax paid going in, so tax paid coming out
- Required Minimum Distribution (RMD)
 - Required each year when you are 73 and older (Moving to 75 by 2033)
 - Based on the value of your accounts at the end of last year and your age
 - Factor based on your age
 - Adjusts each year for age and account balance

- **Produces ordinary taxable income**

- Qualified Charitable Distribution (QCD)

- For an IRA account, not 401(k) or 403(b)
- After age 70^{1/2} paid directly to a charity
- 100% “deductible”, since it does not come into your income.
 - Can be a partial or total against your RMD. QCD limited up to \$105,000.
- You direct your account manager to pay all or part of your RMD directly to the charities you designate as a QCD.

| RMD Examples | |
|--------------|--------|
| Age | Factor |
| 73 | 26.5 |
| 75 | 24.6 |
| 80 | 20.2 |
| 85 | 16.0 |
| 90 | 12.2 |

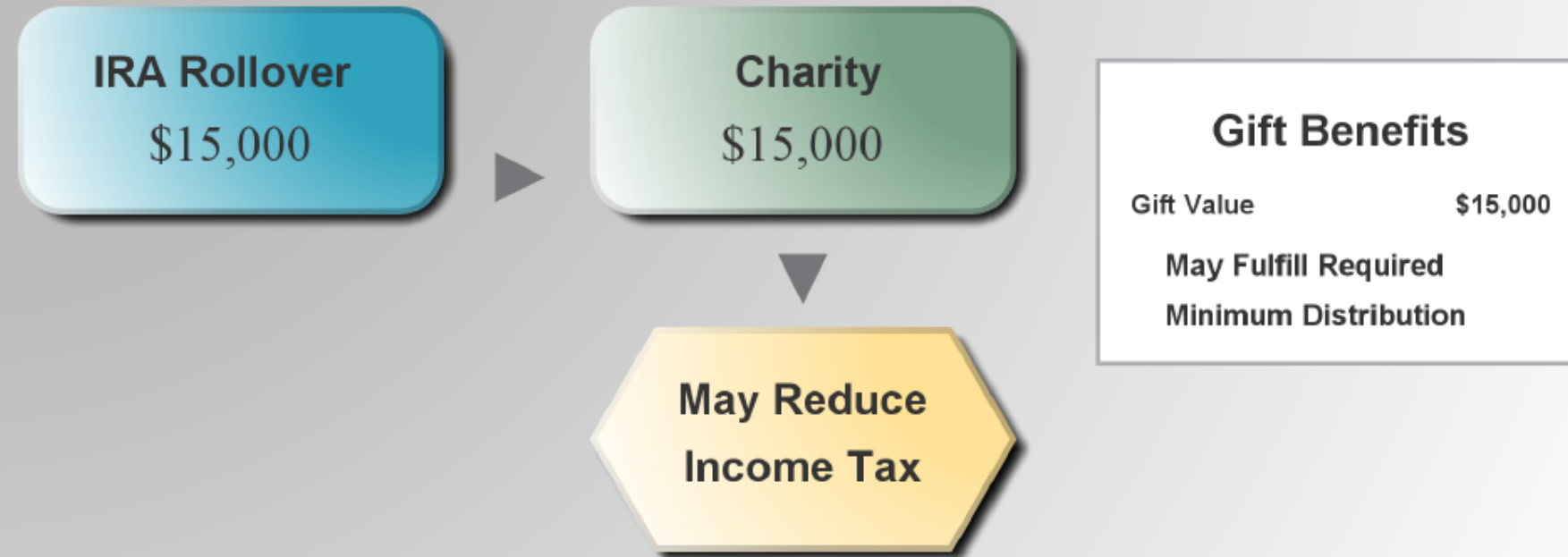
Rate changes each year

| Example | |
|---------|-----------|
| Balance | \$500,000 |
| Age | 80 |
| Factor | 20.2 |
| RMD | \$24,752 |

Rates recently changed and the amount needed for RMD went down

IRA Rollover Gift

Prepared For Mary



RMD from page before was a total of \$24,752 but in this example, part is given directly to charity. No tax due on the part given to charity, only on the \$9,752 taken directly.

At 20% tax, the savings was \$3,000 + possibly reduce your Medicare bill.

1. IRA rollover charitable gift. Transfer from IRA custodian to charitable organization. May fulfill your IRA required minimum distribution (RMD).

2. Benefits for both the donor and the charity. IRA distribution to charity is not taxable income for donor.

3. Donor has satisfaction of knowing charitable purpose is served by gift. Plus, donor does not pay tax on required minimum distribution.

QCD Example

Let's say your RMD is \$25,000

If \$20,000 went directly to charity

Tax is only paid on \$5,000 or \$1,000 in taxes

Tax NOT paid on money going to charity

At a combined tax rate of only 20% you save \$4,000

And your Medicare bill might not go up!

Percent taxed on Social Security might not go up!

Net you end up with \$4,000

If you wanted to give away \$20,000 to charity,

but you took all of your RMD, you would have to use \$25,000 to give \$20,000 because you would pay \$5,000 in taxes on that money.

Net you end up with \$0.00. It all went to charity & taxes

QCD Example

Church example

If you give \$50 per week to your church,
That's \$2,600 per year.

You would have to take out \$3,250 to pay \$2,600.

Because at say a 20% tax rate, you'll pay \$650 in tax
\$3,250 minus \$650 equals \$2,600

If you used your QCD and paid \$2,600 directly to the
church, you would save that \$650 in taxes

CHARITABLE GIFT ANNUITY (CGA)

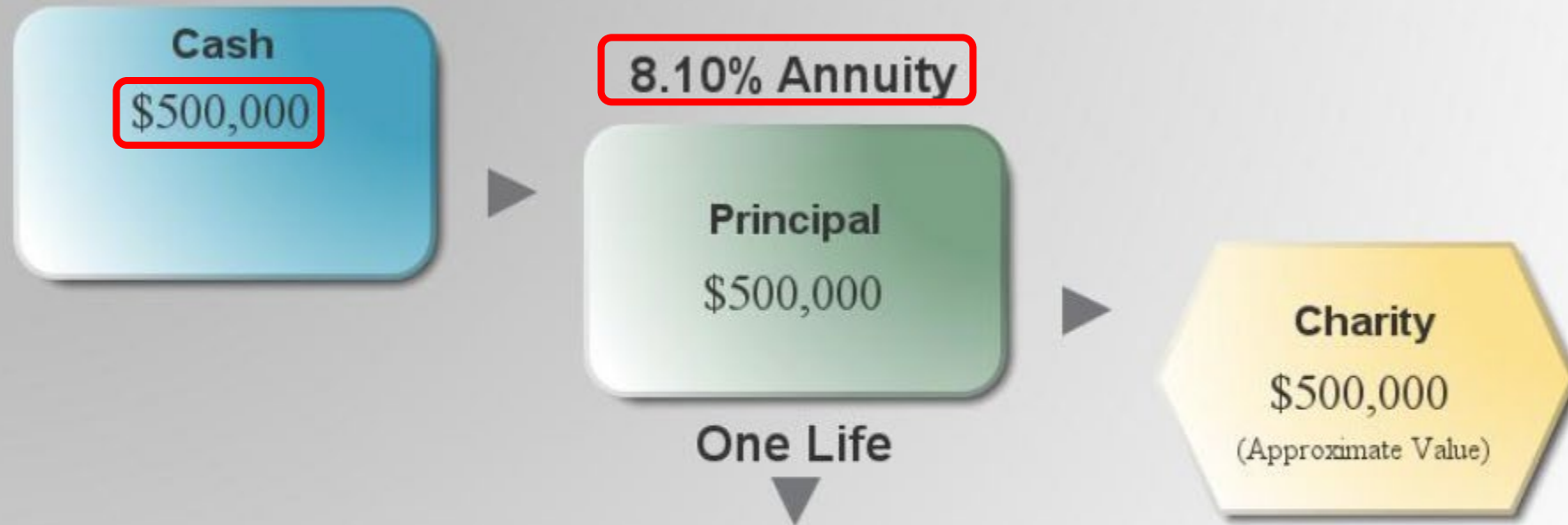
- Most non-profits that offer CGAs follow recommended rates from American Council on Gift Annuities (ACGA)
- Rates based on age - single or dual life
 - Rates are locked in when annuity established, do not adjusted over time
 - Pay out for your life (or both lives), not a set number of years
- Irrevocable agreement, but a simple form
- Charity must set aside a residual fund to protect annuity, plus other assets
 - Recommend giving to major charities
 - When you die, the remainder goes to the charity, not your family
- Can have a deferred start date
 - Can set up as testamentary annuity to pay your beneficiaries
- Consider using a highly appreciated, non-income producing stock to open an CGA. Or even better, use your QCD to fund.

| Age* | Rate |
|------|-------|
| 65 | 5.7% |
| 70 | 6.3% |
| 75 | 7.0% |
| 80 | 8.1% |
| 85 | 9.1% |
| 90 | 10.1% |

* Based on single life
Updated as of 1/1/2024

Charitable Gift Annuity

Prepared For Mary (80)



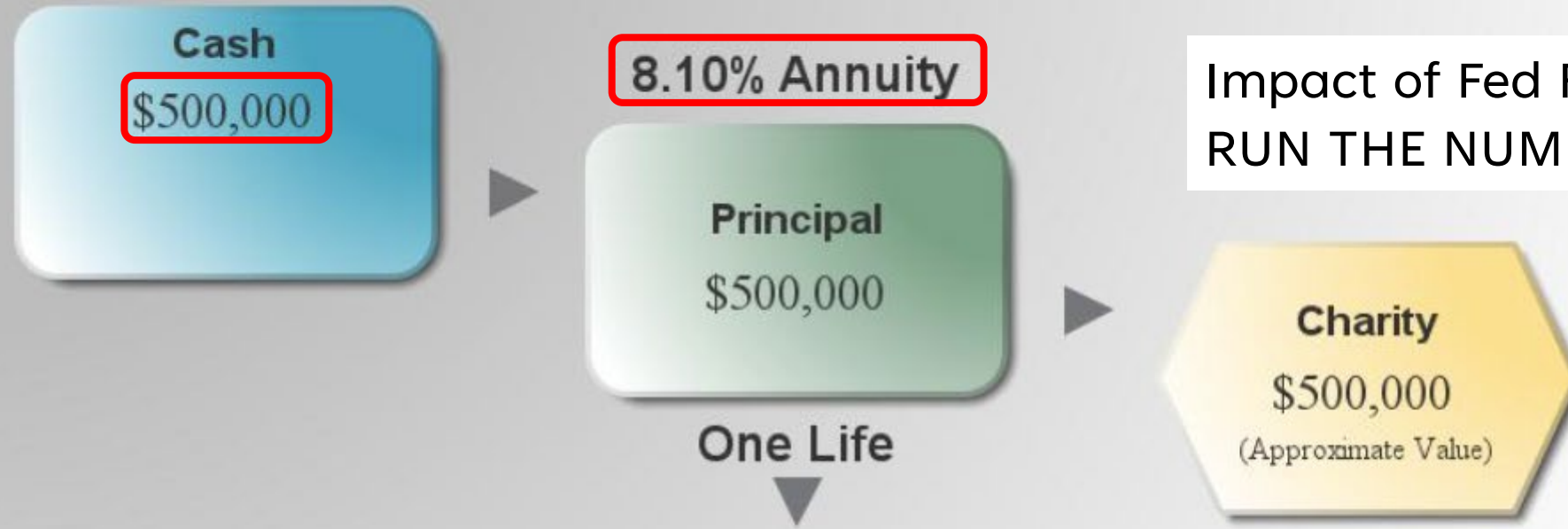
1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of **\$155,163** may save \$49,652.

2. Annuity of **\$40,500.00** for one life. Tax-free amount **\$36,693.00**.
Estimated one life payout of **\$477,900**. Effective payout rate **12.8%**.

3. Quarterly payments for one life. Property passes to charity with no probate fees. There are also no estate taxes.

Charitable Gift Annuity

Prepared For Mary (80)



Impact of Fed Funds Factors
RUN THE NUMBERS

1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of **\$227,079** may save \$72,665.

2. Annuity of **\$40,500.00** for one life. Tax-free amount **\$29,038.50**. Estimated one life payout of **\$477,900**. Effective payout rate **12.7%**.

3. Quarterly payments for one life. Property passes to charity with no probate fees. There are also no estate taxes.

Gift Annuity Election Form

February 6, 2024

_____, Calif

Please check one option -- larger charitable deduction or larger tax free payouts.

Larger Charitable Deduction

January 5.2% with \$227,078.60 deduction and \$29,038.50 tax free payouts.*

Larger Tax Free Payouts

1.0% with \$155,162.75 deduction and \$36,693.00 tax free payouts.*

Thank you for your interest in a \$500,000 gift annuity. Under federal tax rules, you may choose a month and interest rate for calculating your charitable deduction and your tax free payout amounts. With your funding date of March 15, 2024, the selected month and interest rate can be January 5.2%, February 4.8%, or 1.0%.

A higher interest rate produces a larger income tax deduction. A lower interest rate provides you with a larger tax free payouts. If you do not itemize deductions, you may want to select larger tax free payouts. Please select an option below -- greater tax deduction or larger tax free payouts. Thanks for your generous gift!

Cordially yours,

Please check one option -- larger charitable deduction or larger tax free payouts.

Larger Charitable Deduction

January 5.2% with \$227,078.60 deduction and \$29,038.50 tax free payouts.*

Larger Tax Free Payouts

1.0% with \$155,162.75 deduction and \$36,693.00 tax free payouts.*

As the gift annuity donor, I select the checked option.

**For demonstration only.
The rates are not likely to
change this much
over a few months.**

Example 80-year-old gets a CGA

What problem are you trying to solve, then run the numbers!

| | | | | |
|--------|-----------------------|-------------------------|-----------------|------------------|
| | CGA Funding | CGA Rate | CGA Payout | |
| | \$500,000 | 8.1% | \$40,500 | |
| | | | | |
| Factor | Current tax Deduction | Current Tax Saved (32%) | Tax free payout | Tax free percent |
| 5.2% | \$227,078.60 | \$72,665.00 | \$29,038.50 | 71.7% |
| | | | | |
| 1.0% | \$155,162.75 | \$49,652.00 | \$36,693.00 | 90.6% |
| | | | | |
| Bump | \$71,915.85 | \$23,013.00 | \$7,654.50 | |
| | | | | |
| | 46.3% | | 20.9% | |

DONOR ADVISED FUNDS

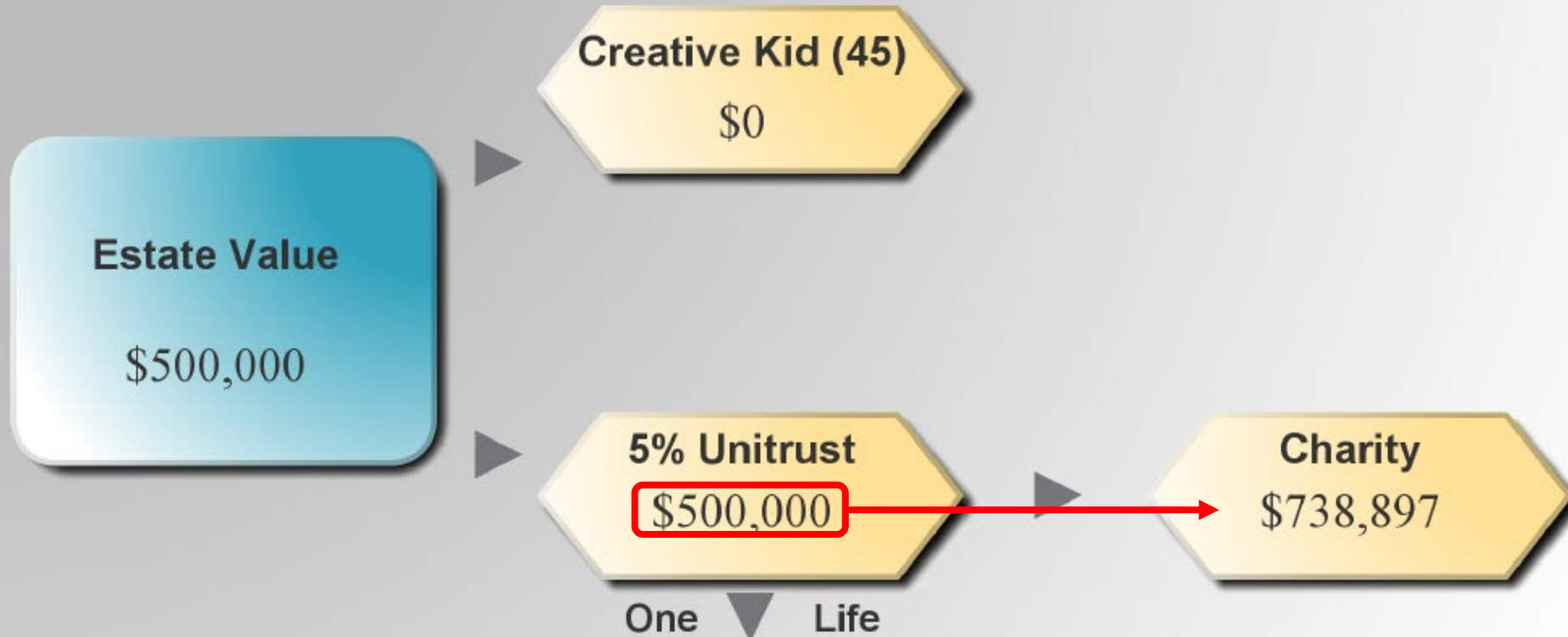
- Like having your own Private Foundation
 - Without the overhead and restrictions
- Very simple to set-up through a Community Foundation or brokerage firm
- Low (tax deductible) dollar amount to open the account & low fees
- Good tool to bundle charitable giving
- You advise where and when to pay out to charities
 - Holder of the funds will confirm valid charity
- Currently a QCD can not be used to fund a Donor Advised Fund.
 - Congress discussing a change to this
- You or whoever you designate advises during your life and your family (or others) can advise after your death

IRA ACCOUNTS TO HEIRS

- Major issues to consider
 - Secure Act restricts heirs (except spouses...) to payout for max of only 10 years. All or part each year, but all out within 10 years.
 - An RMD amount may be required each year
 - What will your kids do with the account?
 - Take it all immediately and spend it or keep it invested?
 - What will happen when the money is taken out?
 - Pre-tax accounts are fully taxable to individuals as ordinary income
 - Pre-tax accounts are not taxed to charities
- If the kids are a concern, consider a testamentary trust
 - Fund it with the IRA
 - Payments are limited to your specified amount / percent
 - Can run for the heir's lifetime or a term, but not limited to 10 years

TESTAMENTARY UNITRUST

Prepared For Martha



1. Part of estate to unitrust with balance, and costs, to Creative Kid (45). Charitable tax deduction of \$107,240 may save estate taxes of \$0.

2. Trust income of 5% paid for life of recipient. First year income \$25,000. Estimated total income of **\$1,345,900**. Estate costs are \$0 and taxes are \$0.

3. If unitrust earns 5.89%, pays 5%, then grows 0.89%. After income payments for one life, unitrust to charity.

Who Gets What Matters

Estate \$2.5 million, IRA \$1.5 million, House \$1 million

| IRA (Kids); House (Charity) | | 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 | to Kids | \$0 | no tax* |
| | | \$1,000,000 | to Kids |
| \$1,000,000 | House to Charity | | *Step-up values at death |

LIFE ESTATE

- Transfer title to a charity in exchange for a life estate
 - You get the right to live in your home for the rest of your life
 - No time limit. For as long as you live.
 - You pay for maintenance, insurance, and taxes, as you did before.
 - You get a sizable charitable tax deduction today for the gift.
 - Upon your death, the charity gets the home and can sell it or use it as they wish.
- HOWEVER:
 - You will no longer own your home. House can not have a mortgage.
 - You can not sell it IF you need money for your medical or other bills.
 - IF you need to move into a care facility, what happens to the house?
 - What if you don't "live" in the house?
 - The charity gets the house when you die, NOT your family.
 - Talk to your family, the charity, your financial advisor ...

Life Estate

Prepared For John (80)
Prepared For Mary (80)



Transfer deed to charity and reserve right to use property for two lives. Owners pay for maintenance, taxes and insurance.

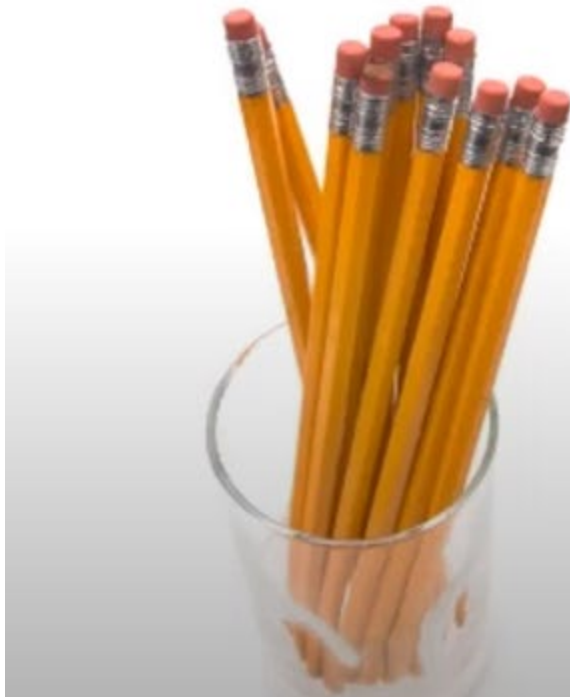
Live in home for two lives. Receive a charitable income tax deduction of \$468,394. Current deduction may save up to \$163,938 in income taxes.

After two lives, property transferred to charity. Full charitable estate tax deduction.

Charitable Gift Annuity

Simple & Cheap

- CGAs from a charity are usually identical except for the dollar amount



Charitable Remainder Trust

Flexible & Expensive

- CRTs are individually created according to the specific desires of each client

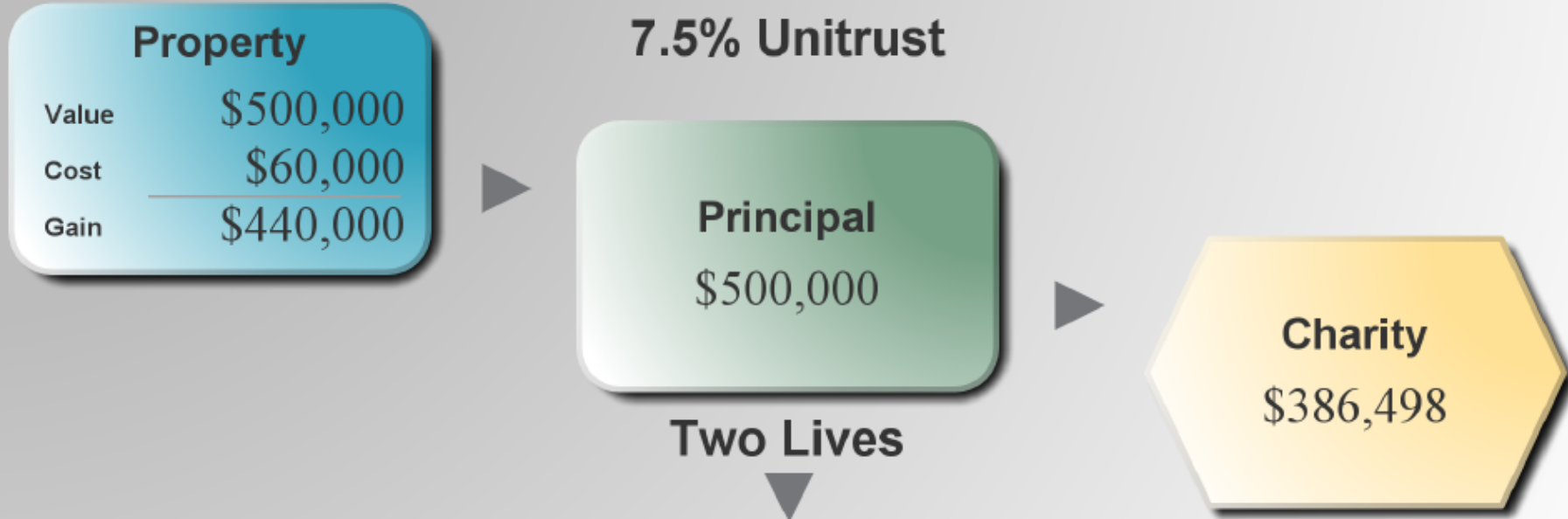


CHARITABLE REMAINDER / LEAD TRUSTS

- Works best when giving assets with significant capital gains
 - To defer or offset capital gains tax (Tax savings could offset capital gains tax)
 - Put all of the asset/value or only part into the trust
- Who gets the money now
 - Remainder Trust – You get cash now, charity gets remainder
 - Lead Trust – Charity gets cash now, beneficiaries get remainder
- Cash paid either a fixed % of value (CRUT) or fixed dollar amount (CRAT). A CRAT can run out of money.
- You specify the charity or charities during your lifetime
 - You can change these as you wish
- Can be for a fixed time period or for your life(s) plus more years
- Attorney needs to draft agreement and it is irrevocable

Charitable Remainder Unitrust

Prepared For Bob (82)
Prepared For Mary (80)



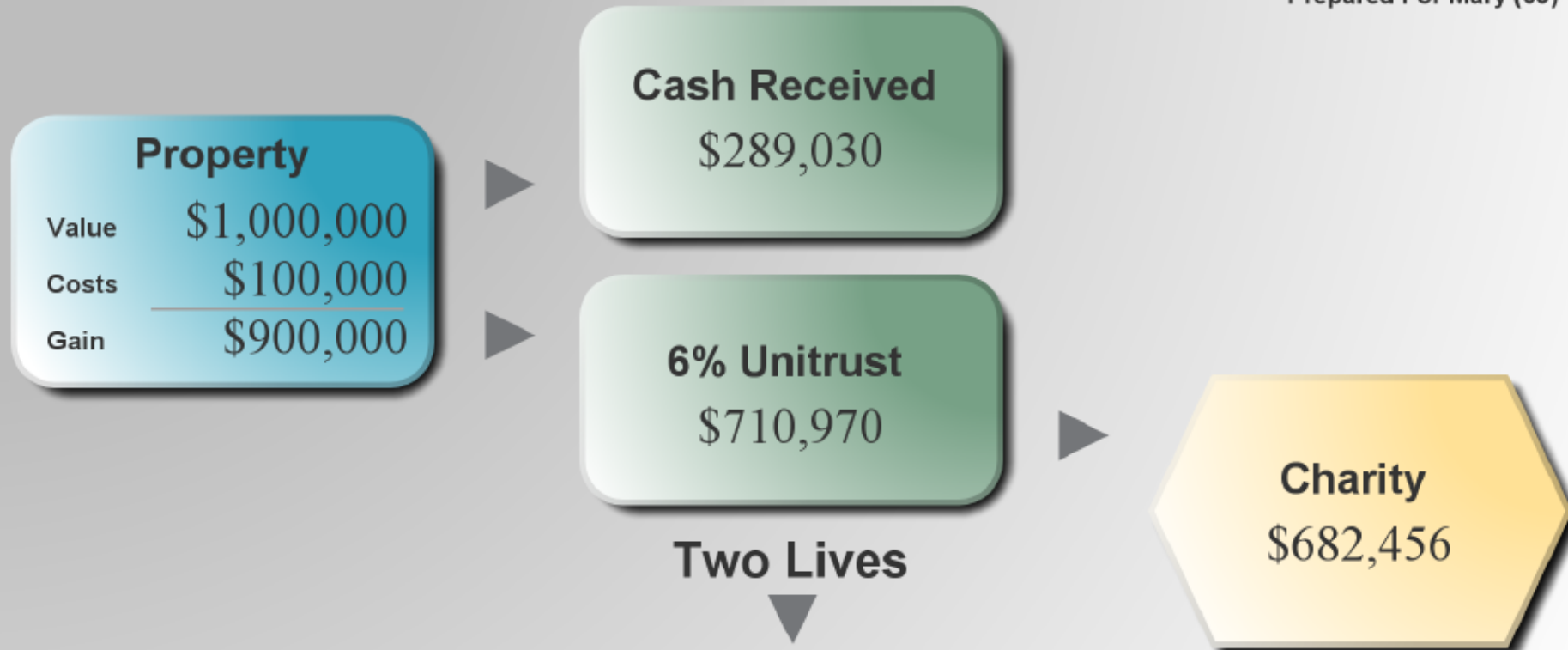
1. Give asset, sell Tax-Free.
Bypass up to \$440,000 gain may save \$104,720. Income tax deduction of **\$230,075** may save \$73,624.

2. UT annual income \$37,500.
Increased income \$12,500 over prior \$25,000 income. Estimated income in 15.3 years **\$510,046**. Effective pretax rate **8.8%**.

3. If trust earns 5.83%, pays 7.5%, then decreases by 1.67%. After two lives, trust passes without probate to charity.

Unitrust and Sale

Prepared For Bob (65)
Prepared For Mary (65)



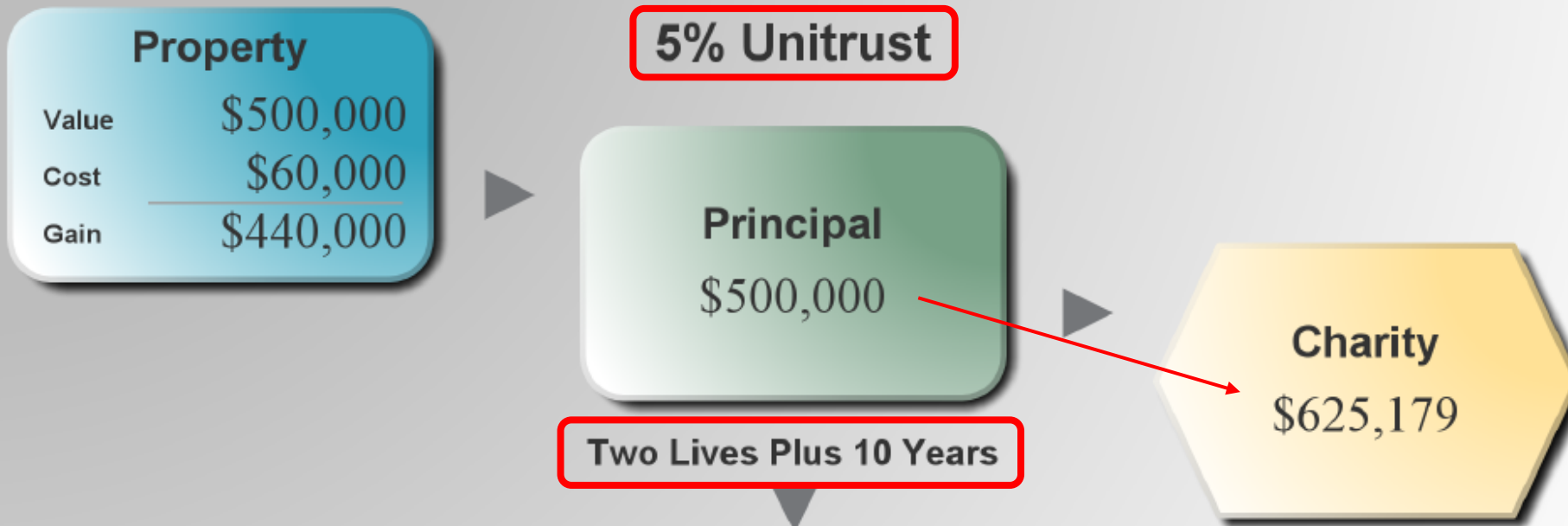
1. Gift \$710,970 to trust. Bypass up to \$639,873 gain may save \$152,290. Tax savings offset tax on cash, with net zero tax result. Net Cash to donors \$289,030.

2. Unitrust Income of \$42,658. Increased income \$0 over prior \$42,658 income. Estimated income in 30.3 years \$1,267,297. Effective return rate 6.57%.

3. If trust earns 5.87%, pays 6%, then decreases by -0.13%. After two lives, trust passes without probate to charity.

Unitrust Plus Term

Prepared For Bob (82)
Prepared For Mary (80)



1. Transfer and sell Tax-Free.
Bypass up to \$440,000 gain may save \$104,720. Income tax deduction of **\$199,060** may save \$63,699.

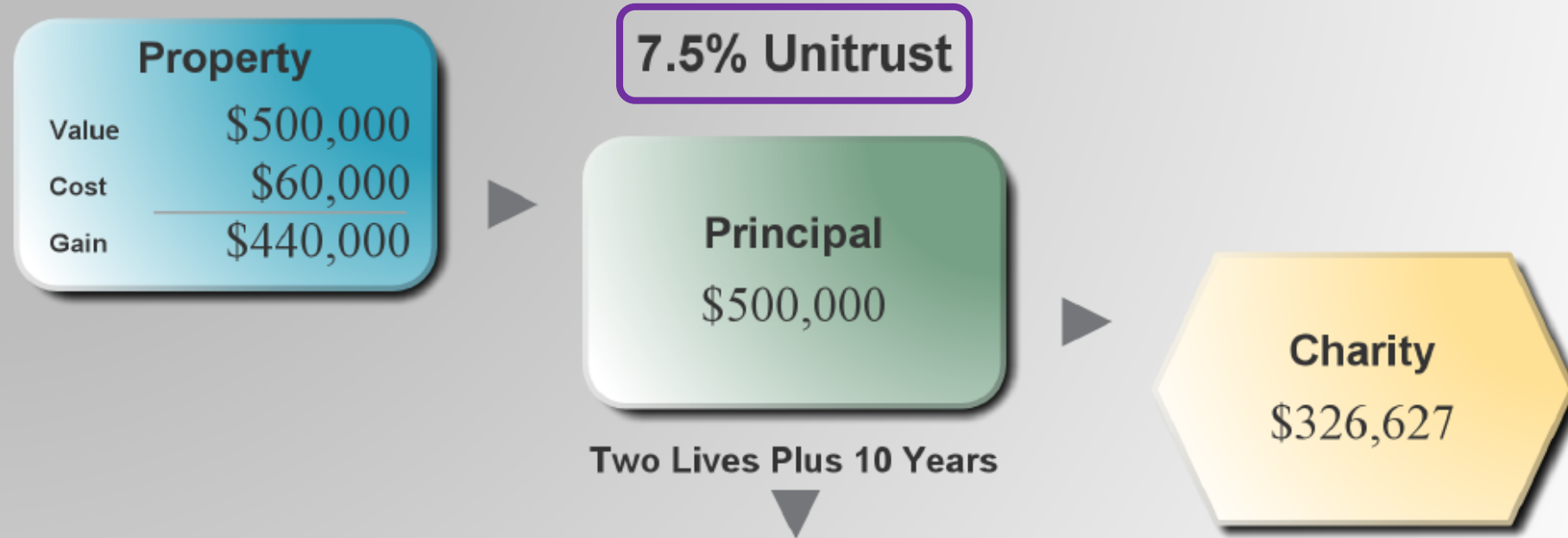
2. Unitrust income of \$25,000. Increased income \$25,000 over prior \$0 income. Estimated income in 25.3 years **\$705,631**. Effective return rate 5.73%.

3. If trust earns 5.888%, pays 5%, then grows by 0.888%. After two lives plus term, trust passes to charity. Partial estate tax deduction.

Income for both lives plus 10 additional years for a beneficiary

Unitrust Plus Term

Prepared For Bob (82)
Prepared For Mary (80)



1. Transfer and sell Tax-Free.
Bypass up to \$440,000 gain may save \$104,720. Income tax deduction of **\$126,760** may save \$40,563.

2. Unitrust income of \$37,500.
Increased income \$37,500 over prior \$0 income. Estimated income in 25.3 years **\$779,090**. Effective return rate 8.16%.

3. If trust earns 5.831%, pays 7.5%, then decreases by 1.669%.
After two lives plus term, trust passes to charity. Partial estate tax deduction.

Was \$705,631 at 5%



TYPES OF REMAINDER TRUSTS

- › STANDARD – Effective immediately
 - Sell assets contributed and take income
- › NICRUT – Net Income only
 - Sell but limit income, plan for retirement
- › NIMCRUT – Net Income with Makeup
 - Same as NICRUT but makeup lost income later
- › FLIP – Changes at a significant event or date
 - Don't take full income until contributed assets are sold
- › But provides an income tax deduction now



| What if I ... ? | | |
|------------------------------|-----------------|-----------------|
| | Sale => Charity | Charity => Sale |
| Asset | \$1,000,000 | |
| Exemption / Basis | \$100,000 | |
| Capital Gains | \$900,000 | |
| Capital Gains Tax Rate | 40% | |
| Capital Gains Tax | -\$360,000 | |
| Net after tax | \$640,000 | |
| To Charity to fund a CGA | \$640,000 | \$1,000,000 |
| Charitable Tax Deduction | \$224,000 | \$350,000 |
| Income Tax Rate | 35% | 35% |
| Tax Savings | \$78,400 | \$122,500 |
| Added tax savings | | \$44,100 |
| CGA @ 80 | 8.1% | 8.1% |
| Annual payout | \$51,540 | \$81,000 |
| Added funds each year | | \$29,160 |
| Added funds to the charity | | \$360,000 |

Working hypothetical example

ISSUES TO SOLVE

Run the numbers to see what is best for you

- Desire to give back
- Income tax
 - Tax avoidance
 - Tax deferral
 - Tax deduction
 - Charitable deduction for current + 5 years
- Capital gains tax
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- Beneficiaries
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 - Special needs

Lots of the available options

Find a Program

GIFT TYPE

- Major Gifts
- Blended Gifts
- Planned Gifts

GIFT MODEL

- Bequest
- Gift Annuity
- Unitrust
- Annuity Trust
- Lead Trust
- Other

Most Popular Programs ▶

Recently Used Programs ▶



Major Gifts

- i* Cash Gift/DAF (33)
- i* Gift of Appreciated Asset/DAF (34)
- i* IRA Rollover Gift (35)
- i* Gift and Sale (36)
- i* Bargain Sale (38)



Blended Gifts

- i* Gift and Bequest/DAF (61)
- i* Endowed Gift and Bequest (62)
- i* Gift and Gift Annuity (63)
- i* Gift and Unitrust (64)
- i* Gift and Deferred Annuity (65)
- i* IRA Gifts and Bequest (66)
- i* IRA Gifts and Testamentary UT (67)
- i* Gift Annuity and Bequest (68)
- i* Lead Trust and Bequest (69)
- i* Gift Annuity Interest and Bequest (70)
- i* Unitrust Income and Bequest (71)
- i* Gift and Testamentary Lead Trust (72)



Planned Gifts

- i* Annuity Trust - One or Two Lives (47)
- i* Annuity Trust - Term of Years (49)
- i* Bequest/Bequest of IRA (58)
- i* Education Unitrust (39)
- i* Gift Annuity - One or Two Lives (53)
- i* Gift Annuity for Home (54)
- i* Gift Annuity - Deferred (55)
- i* Gift Plus Insurance (48)
- i* Gift and Redemption (37)
- i* Life Estate Reserved (52)
- i* Living Lead Trust (51)
- i* Pooled Income Fund (50)
- i* Ret. UT/NIMCRUT/FLIP (44)
- i* Revocable Trust (56)
- i* Sale vs. Unitrust (46)
- i* Testamentary Lead Trust (59)
- i* Testamentary UT/Gift Annuity (57)
- i* Unitrust - Term of Years/FLIP (42)
- i* Unitrust - Life Plus Term (43)
- i* Unitrust and Insurance Trust (41)
- i* Unitrust - One to Eight Lives (40)
- i* Unitrust and Sale (45)

CHARITABLE GIVING

Doing good for others
and for yourself



Estate Planning

ONE OF THE BEST GIFTS
YOU CAN GIVE TO YOUR FAMILY



Financial Planning

Planning for today,
for tomorrow and perhaps beyond



Download the workbook at:
<http://iye.iyme.org>
Scroll down to Workshop Articles

