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How to Help Your Client Leave a Charitable Legacy

By Attorney James L. Jacobson, Pickrel, Schaeffer and Ebeling

As our clients grow older, many of them turn more of their attention toward how they can make a difference in their community. This article will discuss general ideas on how we can help our clients make a difference and leave a charitable legacy.

I have found that while many people become involved in charitable organizations, far fewer include charitable giving in their estate planning. Most clients have only a vague knowledge of charitable giving and need guidance from advisors. Here is where The Dayton Foundation can help, by providing education and assistance in the charitable giving field. The Dayton Foundation, a community foundation set up to benefit the Greater Miami Valley, can assist clients, no matter which charities they wish to benefit, and can be a wonderful part of the team of advisors to find the right charitable vehicle for clients.

Charitable giving should be part of any planning discussion with any client who has charitable intentions.

While a wealthier person will receive a larger income- or estate-tax benefit, anyone can feel proud of his or her donation to a charity. One of the main messages of this article is that *anyone can leave a legacy to his or her favorite charity.*

“Legacy gifts can enable charitable giving on an endowed or deferred basis and provide for charities in an ongoing manner...”

—James L. Jacobson



JAMES L. JACOBSON

Choosing the Charity to Benefit

One of the ways to approach the subject with clients during estate planning discussions is to ask them one or more of the following questions.

- Is there a charity or nonprofit organization that excites or motivates you?
- Have you, your spouse or your children been involved with or served on the board of a nonprofit organization?
- Do you have an interest in or passion for the arts – drama, the opera, dance, museums and/or the visual arts, the symphony or other performing groups?
- Do you feel like giving back to your college or university or private school for the education (and/or wonderful time) that it provided you? Do you want to create or add to a scholarship fund?
- Do you wish to help out your church, synagogue or mosque with its ongoing operating budget, with a specific need or with a capital campaign?
- Do you wish to help find a cure for a disease that has affected a family member or a good friend?
- Do you want to support a charity that helps those who come from a broken or abusive home?

If there is a charity that interests clients, we can suggest that they become involved and familiar with the organization's activities and mission. They also may want to discuss charitable giving with their family, to obtain their input or use it as an opportunity to teach children their charitable values.

Choosing the Right Charitable Giving Option for Your Client

Advisors knowledgeable about charitable giving can be of great help to clients in locating just the right charitable giving vehicle for them. Those advisors not as familiar with available options can rely more heavily on The Dayton Foundation as a team member to help work through the alternatives.

Clients who wish to deal directly with a charity they ultimately will benefit, may want to ask the charity to prepare for their consideration a list of present and future needs for ongoing operations, activities and/or capital expenditures. Charitable gifts may be for general uses or for a specific purpose, activity or event. They can be restricted or unrestricted. Those gifts that are not restricted are preferred by the charity because of their flexibility in addressing the organization's changing needs. A client also may want to consider making a donation or adding to or creating a charitable fund in memory or honor of a loved one.

Resources of The Dayton Foundation

This leads me to a brief discussion of the resources available from The Dayton Foundation to us, as advisors, and to our clients.

The Dayton Foundation is a nearly 85-year-old community institution. The Foundation's only business is to foster charitable giving, serve charitable people and their advisors well, and provide leadership to meet changing needs in the Greater Miami Valley. Our community foundation has highly skilled staff with community grant-making knowledge and with legal

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and accounting expertise to help advisors work through the options and develop the best charitable solutions for clients, including what type of charitable fund may best suit our client's intentions. Foundation staff can even run illustrations for advisors for use in discussion with clients. The staff can be an invaluable member of our teams – without cost – in finding the best path for our clients' shorter- or longer-term plans.

The Foundation currently holds charitable funds for more than 2,700 donors and assists them in giving wisely, helping them to make tens of millions of dollars in grants to charities each year. The Dayton Foundation can establish short-term or long-term (endowment) funds to serve our clients' charitable causes and administer the funds today and into perpetuity, as desired. While the Foundation encourages charitable giving in the Miami Valley, gifts may be made from donors' funds to any IRS-approved charities in the U.S.

The Foundation has a host of vehicles available, including multiple legacy-gift options. The Foundation also can offer clients the option to contribute assets to a discretionary fund, which enables The Dayton Foundation to use earnings from a client's endowed fund to meet emerging community needs, today and in the future.

Legacy Gift Options

Legacy gifts can enable charitable giving on an endowed or deferred basis and provide for charities in an ongoing manner – or they can provide a one-time gift. Deferred charitable giving can be accomplished through a variety of ways, from the

simple to the more complex. These include a Will, beneficiary designations on insurance policies, mutual funds and retirement accounts, for example, as well as such avenues as a Charitable Gift Annuity, Charitable Remainder Trust or Charitable Lead Trust.

The Dayton Foundation can be a help in all these areas and also offers an alternative to a Private Foundation or Supporting Organization within its framework – Family Foundation *Plus*SM – that will avoid many of the IRS requirements and complications of those alternatives.

Perhaps the simplest way to leave a charitable legacy is to include the charity in a client's Will, and specify a specific dollar amount or a percentage of the estate. This will result in a charitable estate-tax deduction, although not a current income-tax deduction.

Another simple option is to name the charity as the beneficiary of an existing life insurance policy, in whole or as a certain percentage of the death benefits, or to consider buying a new policy, specifically to benefit the charity.

One of the most tax-efficient charitable giving options is to name the charity as the beneficiary of a retirement account (not including a Roth IRA), in part or in full. This method has great potential for both income- and estate-tax savings. Since there are no estate or income taxes on retirement accounts left to charity, 100 percent of the gifted assets will pass to the charity. Currently, the maximum federal estate-tax rate is 47 percent and the maximum federal income-tax rate is 35 percent. So, by combining these savings with Ohio tax savings, the tax savings can be very large. Thus, retirement funds left to charity will not cost the family very much, since a large portion would have gone to taxes in any event.

As an example, instead of leaving a specific amount in a client's Will (or revocable trust) to charity and the IRA to the family, the client can leave all of the net probate estate (or the revocable trust assets) to the family and then leave all of the client's IRA to the favored charity at the client's death (if the IRA is too large, then split the IRA into portions and leave one to the charity and the other to the family). This will allow the charity to receive 100 percent of the IRA, instead of the family paying taxes on it.

In Conclusion

We advisors frequently are reluctant to raise the topic of charitable giving with our clients. Not raising it, however, may mean that a significant opportunity is lost for clients to do something of significance for their families and their community. It could mean setting up an endowed fund in a family's name at The Dayton Foundation or making a significant one-time gift to a particular charity or place of worship. What appears above are a few techniques for exploring this subject with clients and broadening our estate-planning discussions.

To learn more about the charitable giving options available to us and our clients, one may contact The Dayton Foundation's friendly, knowledgeable and helpful staff – or check out their web site, www.daytonfoundation.org. Foundation staff can become valued members of each of our planning teams. 🌱

Note: Solutions differ from case to case. The above does not constitute professional financial or tax advice.

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