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Charitable Giving Considerations

How will you impact your community?

Philanthropy provides you with the means to improve the lives of those around you, and it takes many shapes and forms depending on your goals. On one end of the spectrum, you could give a cash gift to a charitable organization that is significant to you. One the other end of the spectrum, you could establish a private foundation to make targeted gifts in perpetuity.

We don't expect you to come to us with the answers for how you'd like to give. Bring your vision and ideas and we'll sit down with you to assess your needs, clarify your goals, and help you explore which option makes the most sense for you and your family.

In this guide, you'll find a comprehensive analysis of the most common types of charitable giving instruments used by families like yours. Wherever you are in your gifting — whether you give directly to the organizations you support or have a private foundation — we can work with you to ensure that your gifting is aligned with your broader strategy.

Direct Giving

Direct Giving is exactly what it sounds like — giving directly to a charitable organization. This lump sum can take different modalities: cash, appreciated public securities, real estate, or tangible personal property. Which method is best for you? Well, it depends on your goals.

For example: Elizabeth and Miles Baker remember their time together at the University of Montana fondly. They met while earning Ph.D.s in wildlife biology and conservation there, and they have studied wildlife for decades. On the occasion of their 40th wedding anniversary, the Bakers would like to donate $150,000 to their alma mater. They are not interested in spending the time establishing a charitable trust or donor-advised fund. They want to accomplish this in the next few weeks and give directly to the University of Montana.

As mentioned above, there are several options for direct gifting. We'll examine the advantages of Miles and Elizabeth's specific situation below. The disadvantage of any one of these direct giving options is efficiency. Though direct giving is relatively simple on the front end, other charitable giving options generally provide more tax efficiency.

Option 1: Cash

This is the simplest option. Elizabeth and Miles can write a check for $150,000 to the University of Montana. For tax purposes, they'll need to obtain a letter from the University of Montana (the qualified charity) and then be sure to include this charitable gift on their tax return for the year in which it was gifted.

Advantages:

1. Deduct the full amount of their gift (subject to any Adjusted Gross Income limitations) from their taxes

2. The process is immediate and straightforward

Option 2: Qualified Charitable Distribution

When cash is the preferred method of an individual over 70 ½ years old, and he or she must satisfy an IRA minimum distribution requirement, a qualified charitable distribution (QCD) should be considered to complete some or all of the gift. This method should be considered a priority for individuals who are in a high tax bracket. Identifying your RMD as a QDC on your tax return is important and should not be overlooked. When taking a distribution from profit-sharing or retirement plans, the form 1099-R will be generated. This form lists the distribution amount but does not classify the distribution as a QDC.

Elizabeth and Miles must take a required minimum distribution (RMD) from their IRAs. Miles's RMD is $40,000, and Elizabeth's is $60,000. They do not depend on their RMD for living expenses. Although their aggregated RMDs do not satisfy the total gift amount, they can satisfy $100,000 of their total gift of $150,000 by asking their financial advisor to issue a check directly to their alma mater from their IRA accounts. They can fulfill the remaining portion of their gift via another method.

Advantages:

1. Helps satisfy IRA minimum distribution requirement

2. Avoid income tax on the distribution amount in the year you gift it to a charity

Option 3: Appreciated Common Stock

With appreciated common stock, an investor gifts stock directly to a charitable organization. The value of this approach is that it enables a significant gift to a charitable organization while permanently avoiding realizing any capital gains. Were the investor to sell the stock and then immediately gift the cash to the charitable organization, they would realize capital gains tax. With all direct giving, you will need to obtain a letter from the qualified charity for tax purposes, and your deduction will be subject to AGI limits.

Throughout his life, Miles has received Berkshire Hathaway stock (symbol: BRK.B) as birthday and Christmas gifts from his grandmother. Now he has many shares and although the position is sentimental, he is also passionate about supporting his alma mater. If Miles directly gives the BRK.B stock position to the University of Montana, he eliminates his capital gain tax liability of $15,000.

Donating Appreciated Stock

Selling your stock and gifting cash		OR	Gifting your stock directly to Charity	
Long-term capital gains tax paid*	-$15,000		Long-term capital gains tax paid	$0

You can always purchase shares of the stock you donated back, which will have a higher cost basis.

*Federal long-term capital gains rate: 20%

Advantages:

Permanently avoiding any capital gains on stock.

Option 4: Gifting Real Estate and Tangible Personal Property (TPP)

Tangible Personal Property refers to items that can be physically touched or relocated such as jewelry, vehicles, and art. Real estate refers to a piece of land, including the buildings on it and natural resources located within it.

Although gifting real estate or TPP is done less frequently, these methods can be appropriate given specific situations and should be considered. TPP can present some additional steps and considerations depending on whether the TTP is related to the exempt purpose. Because there are nuances associated with these types of gifts, consulting a tax professional before gifting real estate or TPP is important. Besides cash, the greatest benefit for all direct giving is eliminating the donor's potential capital gains tax liability.

Depending on the type of gift, the IRS might impose limits based on your adjusted gross income. Please consult with a tax professional.

Advantages:

The nature of real estate and tangible personal property gifts differs from person to person, so it's best to discuss tax considerations, advantages, and disadvantages with your relationship manager and tax professional. Please reach out if you have questions about your specific situation.

What should I consider when establishing my charitable gifting strategy?

If you have questions about how to get started with your own charitable giving strategy, we encourage you to reach out to your relationship manager. Bring your vision and ideas and we'll sit down with you to assess your needs, clarify your goals, and help you explore which option makes the most sense for you and your family. Wherever you are in your gifting, we can work with you to ensure that it is aligned with your broader strategy.

Donor-Advised Funds & Foundations

The choice between a donor-advised fund and a private foundation represents a pivotal decision for families seeking to maximize their philanthropic impact.

Donor-advised funds offer simplicity, immediate tax benefits, and anonymity, albeit with limitations on control and transparency. Private foundations grant complete control, flexibility, and the potential for long-term impact, but come with higher administrative burdens and costs. Families must carefully evaluate these advantages and disadvantages considering their philanthropic vision, financial goals, and desire for influence over their giving strategy. Ultimately, the decision rests at the intersection of financial strategy and the deep-seated desire to create positive change in the world and a lasting legacy.

Donor-Advised Funds

A donor-advised fund (DAF) is a philanthropic vehicle that allows individuals, families, or corporations to make contributions to a charitable account held by a sponsoring organization, typically a public charity or financial institution. Donors retain advisory privileges over the distribution of funds, recommending grants to qualified nonprofit organizations. The sponsoring organization manages administrative tasks, investment of assets, and compliance with legal requirements.

Advantages:

1. **Simplicity and Low Administrative Burden:** DAFs offer a streamlined process for philanthropy. Donors are relieved of the complex administrative tasks associated with managing a private foundation, allowing them to focus on strategic giving and impact.

2. **Immediate Tax Benefits:** Contributions to DAFs are eligible for an immediate tax deduction in the year they are made. This feature is particularly advantageous for families of significant means seeking to optimize their tax liabilities while supporting charitable causes.

3. **Flexibility in Grant-Making:** Donors enjoy flexibility in recommending grants to a wide range of charitable organizations, including educational institutions, arts organizations, and religious entities, provided they are recognized as eligible by the IRS.

4. **Anonymity:** DAFs provide the option for donors to remain anonymous when making grants. This appeals to individuals who wish to support causes discreetly without drawing public attention.

5. **No Mandatory Payout Requirements:** Unlike private foundations, DAFs do not have an annual payout requirement, potentially allowing assets to accumulate within the fund without an immediate impact on charitable giving.

Disadvantages:

1. **Limited Legal Control:** Although donors retain advisory privileges, they relinquish legal control over the funds once contributed to the DAF. The sponsoring organization makes final decisions regarding grant distributions.

2. **Lack of Direct Oversight:** DAFs may not have the same level of accountability and transparency as private foundations. This can lead to concerns about how efficiently and effectively funds are being used for charitable purposes.

Case Study: Creating a Charitable Legacy

In this example, the DAF enables the Smith family to formalize their charitable giving, involve their children in philanthropy, benefit from tax deductions, and create a legacy of giving that spans generations.

The Smith family, comprised of John, his wife Sarah, and their two children, Emily and Michael, had always been passionate about giving back to their community. Over the years, they made regular donations to various charities, attended fundraising events, and volunteered their time. However, as their financial situation improved, they wanted to create a more structured approach to their philanthropy and involve their children in the process.

Here's how their story unfolds:

Getting Started:

- **Setting Up the DAF:** John and Sarah worked with their financial advisor to set up a DAF under their chosen provider. They contributed a significant lump sum to the fund, which was invested, and allowed it to grow over time. This initial contribution qualified as a tax-deductible charitable donation.
- **Involving the Next Generation:** As part of their desire to pass on philanthropic values to their children, John and Sarah decided to involve Emily and Michael in the decision-making process. They held family meetings to discuss causes that were important to each family member and allowed the children to research and propose charitable organizations they believed in.
- **Choosing Meaningful Causes:** Using the DAF, the Smith family made regular grants to the charitable organizations they had chosen. Emily selected a local animal shelter, as she had a deep love for animals, while Michael chose an organization focused on providing educational resources to underprivileged children.

Long-Term Impact:

- **Creating a Giving Tradition:** Over the years, the Smith family continued to contribute to their DAF. They also involved their extended family during holiday gatherings, encouraging others to join in the giving process.
- **Passing on Values:** As Emily and Michael grew older, they developed a deep sense of responsibility for their family's charitable legacy. They actively participated in selecting new organizations to support and even started their own charitable initiatives within the scope of the DAF.
- **Creating a Lasting Legacy:** Over many years, the Smith family's DAF grew substantially. John and Sarah had instilled a strong tradition of giving back in their children, and Emily and Michael continued to manage and grow the fund, passing on the values of philanthropy to their own families.

Private Foundations

A private foundation is a legal entity established by an individual, family, or corporation with the primary purpose of philanthropy. Private foundations operate as independent organizations and have distinct legal obligations, including annual distribution requirements, investment policies, and reporting obligations to the IRS.

Advantages:

1. **Complete Control and Flexibility:** Private foundations offer a high degree of control over grant-making strategies, enabling donors to define the foundation's mission and focus areas. This control allows for personalized, targeted philanthropy aligned with the donor's values.

2. **Long-Term Vision:** Foundations can engage in strategic, long-term philanthropy, addressing complex social issues that require sustained commitment and investment. This ability to take a comprehensive approach to solving problems is a unique advantage.

3. **Family Involvement and Legacy:** Private foundations can involve multiple generations of a family, fostering a legacy of giving. This family engagement not only strengthens philanthropic values but also nurtures a culture of community impact.

4. **Public Visibility and Credibility:** Private foundations are recognized as independent entities, which can enhance credibility and attract additional support from other donors, partners, and stakeholders.

Disadvantages:

1. **Higher Administrative Burden:** Private foundations require extensive administrative efforts, including legal compliance, financial reporting, and governance. Establishing and maintaining a foundation demands time, expertise, and financial resources.

2. **Upfront Costs:** Setting up a private foundation involves initial costs for legal fees, administrative expenses, and potentially higher operational costs compared to establishing a DAF.

3. **Reduced Anonymity:** Private foundation grants are typically public information, potentially compromising donor anonymity. This may not suit those who prefer a more discreet approach to philanthropy.

4. **Distribution Requirements:** Private foundations are legally required to distribute a minimum of 5% of their assets annually, ensuring a steady flow of funds to charitable causes. This requirement may impact the foundation's ability to accumulate assets for larger impact projects.

Case Study: Amplifying Charitable Impact

The Johnson family, consisting of Mark, his wife Lisa, and their three adult children, Amanda, David, and Sarah, had always been deeply committed to making a positive impact on society. Over the years, they had actively volunteered, donated to various causes, and participated in community projects. As their financial situation improved, they decided to establish a private foundation to take their philanthropic efforts to the next level.

Getting Started:

- **Establishing the Private Foundation:** Mark and Lisa consulted with legal and financial advisors to set up the Johnson Family Foundation. This involved creating a legal entity with its own board of directors (which included family members) and adhering to legal and regulatory requirements for private foundations.
- **Control and Customization:** One of the main reasons the Johnson family chose a private foundation was to maintain direct control over their charitable giving. They wanted to have a say in every aspect of their philanthropic efforts, from selecting beneficiaries to designing programs and initiatives. This level of control allowed them to align their giving with their values and address specific issues they felt passionate about.
- **Tailored Giving Strategies:** With their private foundation, the Johnson family had the flexibility to design their own giving strategies. For instance, they decided to focus on education, healthcare, and environmental conservation. They established scholarship programs for underprivileged students, partnered with local healthcare clinics to improve access to medical services, and supported conservation projects in their region.
- **Involving the Next Generation:** Mark and Lisa saw the private foundation as an opportunity to involve their adult children in the family's philanthropic efforts. They encouraged Amanda, David, and Sarah to participate in foundation meetings, share their perspectives, and even propose their own initiatives. This allowed the younger generation to learn about philanthropy and carry forward the family's values.

Long-Term Impact:

- **Building a Lasting Legacy:** The Johnson family envisioned their private foundation as a vehicle for creating a lasting legacy of positive change. They carefully managed the foundation's investments, ensuring that the endowment would continue to grow and support charitable initiatives for generations to come. This long-term perspective reflected their commitment to making an enduring impact on the community.
- **Collaborating with Other Organizations:** Through their private foundation, the Johnson family had the opportunity to collaborate with other nonprofits, community groups, and government agencies. By pooling resources and expertise, they were able to amplify the impact of their giving and tackle complex social issues more effectively.
- **Adaptation and Evolution:** Over time, the Johnson family's private foundation evolved to reflect changing societal needs and the interests of the younger generation. New family members who joined the foundation's board brought fresh perspectives and ideas, ensuring that the foundation remained relevant and responsive to emerging challenges.

A Different Angle: Private Stock Donations

While clients should always look to gift appreciated securities as a way to fund their charitable intent, business owners and entrepreneurs may also want to look at opting to donate private stock to a DAF or private foundation prior to a transaction, as opposed to contributing cash after the sale, due to the distinct advantages.

By donating the stock directly, individuals can potentially avoid capital gains taxes they would have incurred upon selling the stock themselves. This allows them to magnify the impact of their contribution. This strategy not only aligns philanthropic intentions with potential financial benefits but also presents an opportunity to optimize the overall value of the gift. However, it's important to engage with financial and legal experts to ensure compliance with tax regulations and to determine the best approach for maximizing the advantages of such a donation.

The chart below shows an example of the benefits of utilizing private stock to fund your donor advised fund or private foundation.

	Post-Tax Cash Gift	Pre-Tax Shares (Donor Advised Fund)	Pre-Tax Shares (Private Foundation)
(A) Gross Proceeds	$38M	$38M	$38M
(B) Pre-Transaction Charitable Gift	-	$10M	$10M
(C) Tax Reduction (due to gift)	$0	$2.3M	$2.3M
(D) Taxes Due on Sale[1]	$9M	$6.7M	$6.7M
(E) After-Tax Proceeds	**$29M**	**$21.3M**	**$21.3M**
(F) Post-Transaction Charitable Gift	$10M	-	-
(G) Tax Savings on Charitable Deduction	$3.7M	$3.7M[2]	$1,850[3]
Total Tax Savings (C+G)	**$3.7M**	**$6.1M**	**$2.4M**
Total Net Proceeds (E-F+G)	**$22.7M**	**$25.0M**	**$21.3M**

1 All estimated taxes due are at a rate of Federal 23.8% rate (20% long term capital gains + 3.8% Medicare surtax)
2 Based on appraised value of gift and 37% Federal tax bracket.
3 Charitable deduction limited to basis for Private Foundation contribution of complex assets. Assumes $5,000 * 37%
Source: Balentine

If you have questions about how to get started with your own philanthropic giving strategy, we encourage you to reach out to your relationship manager and consult the attached checklists:

- **What issues should I consider when establishing my charitable gifting strategy?**
- **Should I use a DAF when giving to public charities?**

Charitable Trusts & Annuities

In this section, we will review and compare Charitable Remainder Trusts, Charitable Lead Trusts, and Charitable Gift Annuities.

A **trust** enables the grantor to give a second party, known as the **trustee**, the right to hold title to property or assets for third-party **beneficiaries**.

A **charitable gift annuity** is created by a charity to pay you an income stream for a period of time, after which the remaining balance is maintained by the charity.

Charitable Remainder Trust

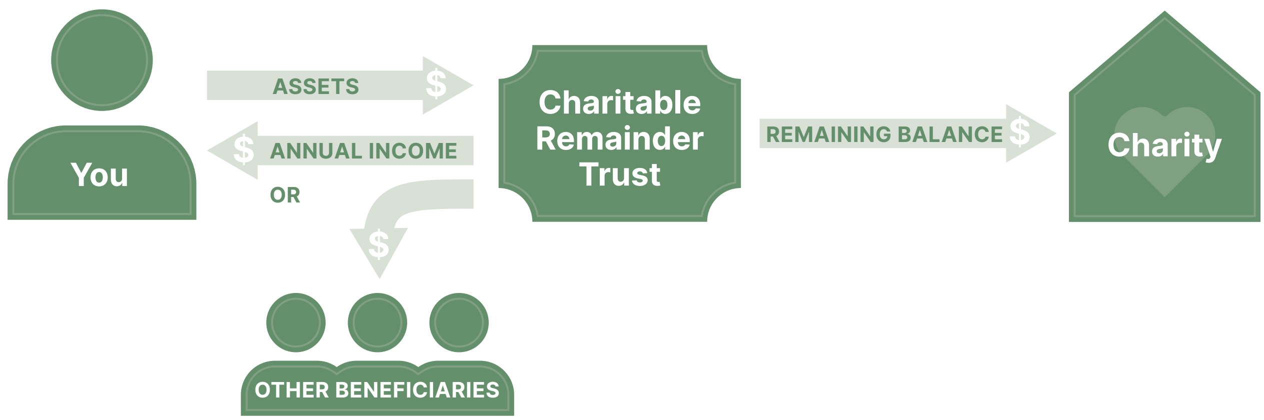
For someone who'd like an income stream during their lifetime, a charitable remainder trust could be a good option.

A **charitable remainder trust** provides income over a period of years, at which time the remaining balance is distributed to a public charity of your choice. It's also **irrevocable** — which means while you can modify which charities receive the final distribution, you cannot remove assets from it once a gift is made.

The two main types of CRTs reflect differences in payment structure:

- **Charitable remainder annuity trusts** (CRATs) distribute a fixed annuity payment
- **Charitable remainder unitrusts** (CRUTs) distribute a fixed percentage-based payment calculated annually based on the market value of the trust. CRUTs accommodate additional contributions.

Charitable Remainder Trust



Advantages:

1. **Income Stream.** The named beneficiaries (which can include the grantor) receive annual income from the trust.
2. **Charitable Deductions.** The grantor receives a charitable deduction in the year the charitable remainder trust is funded, and their estate tax liability is potentially reduced.
3. **Funding Flexibility.** There is some flexibility around the types of assets that can fund charitable remainder trusts, for example: publicly-traded securities, closely-held stock, cryptocurrencies, real estate, alternative securities, and art.
4. **Beneficiary Changes.** Most CRT documents enable the trustee to change the charitable beneficiaries during the CRT's specified lifetime/term.
5. **Tax Exemption.** CRT investment income is tax-exempt for grantors. This is attractive to individuals who want to donate highly appreciated assets and/or assets that generate a lot of income.
6. **Diversification.** CRTs allow diversification away from concentrated and/or highly appreciated assets and create an income stream off non-dividend or interest-paying assets.
7. **Anonymous Giving.** CRTs provide the option for anonymous giving. Alternatively, donors planning a significant future gift may wish to share the news before the CRT lifetime/term is complete.

Disadvantages:

1. **Income Tax.** Income beneficiaries pay tax on income streams received from the CRT. The trustee is required to file an annual tax return.
2. **Irrevocable Gift.** Once funded, the donor cannot access the assets in the trust.
3. **Fees.** Creating a CRT typically requires legal and administrative expenses.
4. **Mandatory Distributions.** There is no flexibility with distributions, so annual distributions are mandatory. Most noncharitable beneficiaries want the income, but if for some reason they do not, they have to pay taxes on the income stream because annual distributions are a requirement.

Case Study

Mark and Vicky are long-time YMCA members, and Vicky has even served on the board of their local club. Mark's sister Agnes has battled health issues her whole life and is unable to fully support herself, so Mark and Vicky provide a monthly supplement to her disability income. They're looking for a charitable giving instrument that will allow them to provide income to Agnes, support their local YMCA, and involve their child, Monica. Their financial advisor recommended opening a CRT and naming their daughter, Monica, a trustee.

Here's how their story unfolds:

Getting Started:

- **Creating a CRT:** While Mark and Vicky's estate planning attorney drafted the trust agreement, they worked with their financial advisor and CPA to determine the most appropriate assets to fund the CRT. During this process, Mark and Vicky worked with their financial advisor to open and fund the trust with the advisor's custodian.
- **Control and Customization:** Mark and Vicky designated Agnes as the income beneficiary and the YMCA as the remainder beneficiary. Providing Agnes with a lifetime income stream gave Mark and Vicky peace of mind that she would be cared for regardless of what happened to them. Selecting the YMCA as the trust beneficiary gave them complete confidence that the organization would receive their support.
- **Involving the Next Generation:** Mark and Vicky named their responsible adult daughter, Monica, as the trustee of the CRT. This ensured the philanthropic goals established within the CRT would be realized. It also allowed Monica to personally participate in achieving her parents' philanthropic legacy.

Long-Term Impact:

- **Passing on Values:** Monica witnessed her parent's generosity firsthand through their provisions for a needy family member and their support of a charitable organization that was dear to them.
- **Creating a Legacy:** The assets in the CRT continued to grow over Agnes' lifetime, and by the time the YMCA received the donation, the account size had almost doubled. Mark and Vicky's charitable gift was more significant than they had imagined at funding.

Charitable Lead Trust

For individuals who want to see charitable impact during their lifetime and leave an inheritance to loved ones, a charitable lead trust could be a good choice.

A **charitable lead trust** makes annual distributions to a charity of your choice for a period of time, at which point the remaining balance is distributed to heirs free from gift tax. It's also **irrevocable** — which means you're unable to remove assets from it once a gift is made.

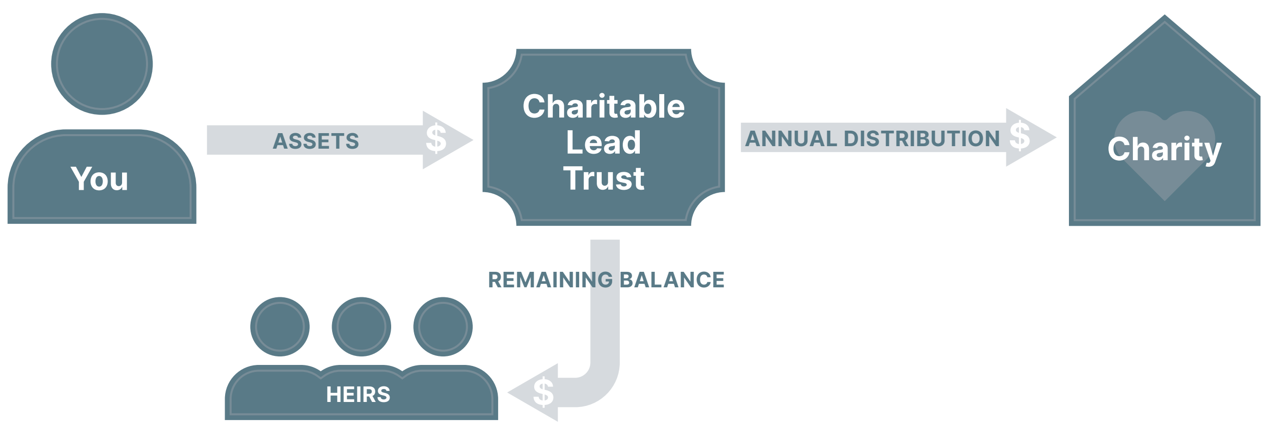
The two types of CLTs have different tax implications.

- **Grantor Charitable Lead Trusts** enable individuals to take a charitable deduction for the assets transferred to the trust; however, the individual also must pay taxes on the investment income from the trust for the life of the trust.
- In a **Non-Grantor Charitable Lead Trust**, the individual does not get to take the upfront charitable deduction for the assets transferred to the trust and is not responsible for the investment income generated from the trust.

There are several reasons why an individual might choose one over the other, and these considerations should be discussed with your advisory team.

> CLTs are frequently used to complete a multi-year pledge made to an institution, with remaining assets passing to the next generation.

Charitable Lead Trust



Advantages:

1. **No Required Max or Min Payment.** The donor can determine the payment amount — no maximum or minimum payment to the to the charitable beneficiaries is required.
2. **Income Tax Deduction.** With a grantor CLT, the grantor can take an immediate income tax charitable deduction for the present value of the future payments to the charitable beneficiary.
3. **Funding Flexibility.** There is some flexibility around the types of assets that can fund charitable lead trusts.
4. **Transfer Tax Savings.** The non-grantor CLT has the potential to provide significant transfer tax savings. If the assets within the non-grantor CLT grow over the life of the trust, the appreciation will transfer outside of the grantor's estate.
5. **Anonymous Giving.** CLTs provide the option for anonymous giving.

Disadvantages:

1. **Complicated Tax Considerations.** Since the trustee is required to file an annual tax return, this can feel burdensome.
   a. **Investment Income Tax.** Though the grantor of the grantor CLT can take an immediate income tax charitable deduction, the grantor is also responsible for paying tax on the trust's investment income.
   b. **Not Tax-Exempt.**
2. **Beneficiary.** Typically, the trustee cannot change the charitable beneficiary.
3. **Irrevocable Gift.** Once funded, the donor cannot access the assets in the trust.
4. **Fees.** Setting up CRTs requires initial legal and administrative expenses.
5. **Mandatory Annual Distributions.** It is important assets within the CLTs can support the stated distributions.

Case Study

Stella and Carol Lewis knew of an immediate need within an established charitable organization, and they wanted to see the impact of their financial resources benefit this organization during their lifetime. Stella and Carol were able to formalize their charitable giving with payments to the Humane Society for ten years while leaving an inheritance for their children, Emma and Taylor.

Here's how their story unfolds:

Getting Started:

- **Creating a CLT:** Stella and Carol contacted their financial advisor to understand the available charitable options. After discussing all the options, Stella, Carol, and their relationship manager agreed a charitable lead trust would be most appropriate. Stella and Carol drafted the trust agreement with their estate planning attorney. With the help of their advisor team (attorney, CPA, financial advisor, etc.), they evaluated and determined the most appropriate assets to fund the CLT. In addition, they worked with their team to determine the type of CLT to establish based on potential tax implications. With the newly established trust agreement and confidence around the assets to fund the charitable lead trust, the trustee worked with the financial institution to open and fund the CLT.
- **Control and Customization:** Stella and Carol are passionate about the Humane Society and look forward to seeing the impact of their annual gifts. Two priorities for Stella and Carol are leaving an inheritance for their girls and potentially reducing their gift and estate taxes. When the term of the trust is reached, Stella and Carol are relieved to know Emma and Taylor will have witnessed the impact the annual gifts and will have an inheritance.

Long-Term Impact:

- **Intentional Financial Planning:** Non-grantor and Grantor CLTs can offer tax advantages during the life of the grantor and at death, depending on the individual's goals and specific situation.
- **Passing on Values:** Emma and Taylor have the opportunity to witness their mothers' charitable passion to give back and the impact it will make over the term of the CLT. In addition, they know Stella and Carol want to provide them with financial security for their future.

Charitable Gift Annuity

For people who want to give a gift of any amount and enjoy an extra income stream.

A **charitable gift annuity** is created by a charity to pay you an income stream for a period of time, after which the remaining balance is maintained by the charity.

Advantages:

1. **Lifetime Income Stream.** Annuitant(s) enjoy fixed payments.
2. **Low Cost.** Minimum gifts can be small ($5,000), and initial costs are low (if any).
3. **Funding Flexibility.** There is some flexibility around the types of assets that can fund CGAs, depending on the charity. In addition, as part of the Secure Act 2.0, taxpayers can fund a CGA with a one-time gift (limited to $50K) from their IRA.
4. **Tax Deduction.** In most situations, annuitants can take a tax deduction at the time of the original gift. Several factors go into determining this amount.
5. **Low Administrative Burden.** The charity handles all the administrative responsibilities.

Disadvantages:

1. **Charity-Specific Considerations.** Not every organization offers charitable gift annuities, limiting options for annuitants. In addition, the charity's ability to make the annual distribution is tied to its financial health. If the charity dissolved, the income stream would cease.
2. **Beneficiary.** The annuitant is unable to change the charitable beneficiary once the contract is in place.
3. **Irrevocable Gift.** Once funded, the donor cannot access the assets in the trust.
4. **Income Taxes.** The donor/annuitant pays taxes on the CGA income stream.

Charitable Options

DIRECT GIVING

Direct Giving	Cash	Appreciated Public Securities	Real Estate	Tangible Personal Property (TPP)
What Is It?	U.S. dollars	Stocks, bonds, mutual funds, and ETFs	Residence, investment property, vacation home, etc.	Furniture, jewelry, paintings, cars, etc.
Processing Time	Immediate	Immediate	Weeks to months	Weeks to months
Administrative Responsibilities	Obtain letter from the qualified charity for tax purposes	Obtain letter from the qualified charity for tax purposes	Obtain letter from the qualified charity for tax purposes	Obtain letter from the qualified charity for tax purposes and stating the intent to use the property for their exempt purpose
Annual Tax Deduction Limits for Gifts	60% of Adjusted Gross Income	30% of Adjusted Gross Income	30% of Adjusted Gross Income	30% of Adjusted Gross Income
***Plain English Explanation**	If your Adjusted Gross Income is $100,000, your maximum charitable deduction for that year is:			
	$60,000	$30,000	$30,000	$30,000
Additional Tax Benefits	N/A	No capital gains tax on appreciated securities	No capital gains tax on appreciated property	No capital gains tax on appreciated property
Valuation of Gifts	Fair market value	Fair market value	Appraised by qualified appraiser	If the TTP is used in a manner related to the exempt purpose, it is valued at Fair Market Value (based on a qualified appraisal). If the TTP is unrelated to the exempt purpose, the gift is valued at its cost basis.
Privacy	Generally, donations can be made anonymously	Generally, donations can be made anonymously	Generally, donations can be made anonymously	Generally, donations can be made anonymously
Tax Deduction for Gift Made to International Nonprofits	No	No	No	No
Tax Deduction for Donations to Individuals	No	No	No	No

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Charitable Options

DONOR ADVISED FUNDS VS. PRIVATE FOUNDATIONS

	Donor-Advised Fund (DAF)	Private Foundations
What Is It?	A Donor Advised Fund (DAF) is an account administered by a not-for-profit and created for the purpose of managing charitable donations.	A Private Foundation (PF) is a charitable organization that supports philanthropic activities.
Initial Set-Up Costs	None	Legal and other fees
Initial Set-Up Time	A week or two	Weeks or months
On-Going Administrative Costs	Lower	Higher
On-Going Administrative Responsibilities	Minor	More complex
Annual Tax Deduction Limits for Gifts of Cash	60% of Adjusted Gross Income	30% of Adjusted Gross Income
Annual Tax Deduction Limits for Gifts of Stock or Real Property	30% of Adjusted Gross Income	20% of Adjusted Gross Income
Valuation of Cash and Public Securities	Fair market value	Fair market value
Valuation of Private Securities or Real Property	Fair market value (Appraisal typically required)	Cost basis
Annual Grant Distribution Requirements	None	5% of net asset value
Excise Tax	None	Up to 2% of net investment income
Authority to Make Recommendations	Grant request submitted to DAF provider	Full control
Privacy	Grants can be made anonymously and DAF account names are not public information	Must file informational returns, which are available to the general public, disclosing detailed information on grants, investment fees, trustee names, staff salaries, etc.
Support 501(c)(3), Grants to International Nonprofits and Grants to For-Profit Entities for Charitable Purposes With Certain Procedures	Yes	Yes
Grants to Individuals	No	Yes
Termination	Varies amoung DAF providers. Some allow named successors (individuals, businesses, or charitities)	Perpetuity (determined by the board of the foundation)

Charitable Options

CHARITABLE TRUST, CHARITABLE GIFT ANNUITY

	Charitable Lead Trusts (CLAT or CLUT)	Charitable Remainder Trust (CRAT or CRUT)	Charitable Gift Annuity (CGA)
What Is It?	Irrevocable trust that makes annual payments to a charity over a specific period of time. After the time period expires, the balance of the trust is paid out to a beneficiary or beneficiaires.	An irrevocable trust that makes annual payments to one or more noncharitable beneficiaries for a specific period of time. After the time period expires, the balance of the trust is donated to one or more charities.	A charitable gift annuity is a contract between the donor and a 501(c)(3) qualified public charity. The annuitant receives fixed payments and upon the annuitants death, the arrangement terminates and the charity uses the remaining funds.
Initial Set-Up Costs	Legal and other fees	Legal and other fees	Minimal, if any
Initial Set-Up Time	Weeks or months	Weeks or months	Weeks
Management and Administration Fees	Yes	Yes	Yes
On-Going Administrative Responsibilities	Trustee is responsible	Trustee is responsible	Charity is responsible
Tax Deduction Limits for Gifts of Cash	60% of Adjusted Gross Income	60% of Adjusted Gross Income	60% of Adjusted Gross Income
Tax Deduction Limits for Gifts of Stock or Real Property	30% of Adjusted Gross Income	30% of Adjusted Gross Income	30% of Adjusted Gross Income
Deduction Calculation	Based on a calculation that incorporates the term of the trust, the projected lead payments, and IRS interest rate (IRS 7520) that is used to assume a certain rate of growth of trust assets	Based on a calculation that incorporates the size of the contribution (several factors go into the this number) less the present value of the payments that will be made to the non charitable beneficiaries. The present value of the payments is determined using life expectancy tables and assumed earnings prescribed by the IRS.	The deduction is equal to the amount of the contribution (several factors go into this number) less the present value of the payments that will be made to the annuitant(s). The present value of the payments is determined using life expectancy tables and assumed earnings prescribed by the IRS.
Income Tax Considerations	Tax treatment is different depending on the type of CLT - grantor or non-grantor trusts.	Donor pays tax on income stream based on how income was created (mix of capital gains, dividends and interest). Trustee will issue a K-1. Starting in 2023, you can make a one-time $50k QCD from your IRA to a charitable remainder trust.	Donor pays tax on the payments. Charities will issue a form 1099-R. As of 2023, you can make a **one-time** $50k QCD from your IRA to a charitable gift annuity.
Excise Tax on Investment Income	None	Excise tax on 1.39% of net investment income annually	None
Support 501(C)(3), Grants to International Nonprofits and Grants to For-Profit Entities for Charitable Purposes With Certain Procedures	Yes	Yes	Limited to charities or community foundations that offer charitable gift annuities
Change Charitable Beneficiary	Generally trust documents allow	Generally trust documents allow	No
Termination	After specified term(s) or death of the beneficiary(ies)	No more than 20 years (term) or lifetime of individual (or couple)	Death of annuitant

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