FP FINANCIAL POISE

Using Your Assets for Good: Bequeathing Money to Philanthropic Causes

December 20, 2017 / Columns / By Rhonda Ducote

Tags: Financial Literacy, Life-Work Balance, Taking Charge: Helping Baby-Boomer Women Through Financial Transition - By Rhonda Ducote,

Consider Using Your Assets for Good if You Want to Feel Good About Giving

Using your assets for good is part of the joy of having enough wealth to make a difference in the lives of others. For many people, divvying up assets can be an opportunity to think about what causes are near and dear to them. Sharing the good fortune and leaving a gift for organizations they are passionate about can bring immense joy and satisfaction. Charitable giving also has tax benefits for those who wish to integrate it into their estate planning.

As stewards of the largest wealth transfer to date, baby boomer women will have increasing influence over charitable giving as they take the lead managing the family finances.

You may also be interested in "Family Finances – What a Wife Needs to Know"

Some of the most important criteria for a woman to evaluate before she allocates her assets to a charity include ensuring that she is truly passionate about the organization. It is important to understand the following:

1. How the donation itself is allocated;
2. How much goes directly to the cause versus to the administration of the organization; and
3. If the organization publishes its data and metrics.

Charitable Giving is Common When Using Your Assets for Good

There are many ways to plan for using your assets for good that range from simple to highly complex. Each method of giving has different tax implications, something that any woman looking to make a gift should be fully informed about beforehand.

> *As stewards of the largest wealth transfer to date, baby boomer women will have increasing influence over charitable giving as they take the lead managing the family finances.*

A ***charitable bequest*** is a gift made to a nonprofit organization through a will or trust which allows the giver to remain in control of the use of assets while they are alive and minimizes the potential estate tax upon death. Bequests can be specific dollar amounts or percentages of an estate's value. Residual bequests transfer remaining assets after all other aspects of the will have been satisfied.

There are also ***contingent bequests***, which offer flexibility if the primary beneficiary of the estate predeceases the testator, or if the named beneficiaries waive the provisions. Charitable bequests are one of the more common vehicles used for those who wish to allocate their assets to a philanthropic organization. Bequests can be effective for anyone wishing to leave a one-time gift in their will.

Split the Giving, Double the Benefits

Married couples looking to maximize specific tax benefits to their charitable giving could consider ***split gifts***, which allow the couple to increase their gift tax exemption. Charitable gift annuities and charitable remainder trusts are two ways to implement this policy.

A ***charitable gift annuity,*** a type of split gift, allows the giver to transfer low-yielding assets. In exchange, the charity agrees to pay a fixed payment to one or two individuals – beneficiaries or annuitants – for their lifetime. This payment by the charity is tax-exempt, with provisions for current deductions.

You may also be interested in "$30 Trillion Wealth Transfer: Most Advisors Miss This Critical Step"

Similar to the charitable gift annuity, a ***charitable remainder trust*** is another type of split gift. Charitable remainder trusts are typically for highly appreciated asset or assets that provide current income tax deductions. This may allow the assets to be sold without capital gains tax liabilities. This type of gift also provides lifetime income to the donor with the residual income to transfer to the charity upon death.

Large Scale Giving- Using Your Assets in a Big Way

Using a ***donor-advised fund*** (DAF) allows donors to make tax-deductible contributions to a fund in the donor's name established at a public charity. The donor can make more contributions any time. Donors can also recommend grants to preferred organizations at any time. These funds can be helpful in facilitating using your assets for good, especially for those who donate to multiple charities annually or wish to leave assets to a variety of organizations as they consolidate reporting information from the IRS into one statement and one deduction amount.

For women looking to achieve one or more charitable purposes, a ***family foundation*** may be the answer. It is created and funded by the donor with a specific mission established. Family foundations provide income tax deductions and capital gains tax advantages, but they are also subject to complex tax rules and laws and require significant involvement from family members, who are often instrumental in guiding and governing the foundation.

Charitable Giving Through Organizations

When you think of using your assets for good, you may consider bequeathing assets to a philanthropic organization. If so, it is extremely important to understand the variety of options available. Conducting a meeting with your financial advisor is a great first step to integrating charitable giving into your family's financial plans.

It may be advantageous to have a serious discussion with family members about using your assets for good. They may be impacted by the choice to divert some assets to charity. It's also advisable to meet with an attorney. These meetings become increasingly important if a family foundation sounds like the answer.

> “*Conducting a meeting with your financial advisor is a great first step to integrating charitable giving into your family's financial plans.*

Giving back to one's community is a duty that many people feel compelled to fulfill. The baby boomer generation is taking hold of family finances and will be the next generation to leave significant philanthropic gifts in its wake. For advisors, it is essential to understand the options available and what benefits – and potential drawbacks – come with each vehicle for giving.

About Rhonda Ducote

Rhonda Ducote, president of Apriem Advisors, an Irvine, Calif-based independent, registered investment advisory firm with more than $500 million in assets under management. She has more than 20 years experience as a wealth manager, 17 of which have been spent at Apriem Advisors. Rhonda is passionate about her work and has pioneered the Women of...

Continue Reading Bio » • View all articles by Rhonda »