What Nonprofits Want Advisors to Know and Share with Their Clients About Planned Giving

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What is Planned Giving?

More than CRTs

Much simpler and easy to implement

Planned giving focuses on:

Deferred gifts of cash or other assets

Gifts that pay an income to donors

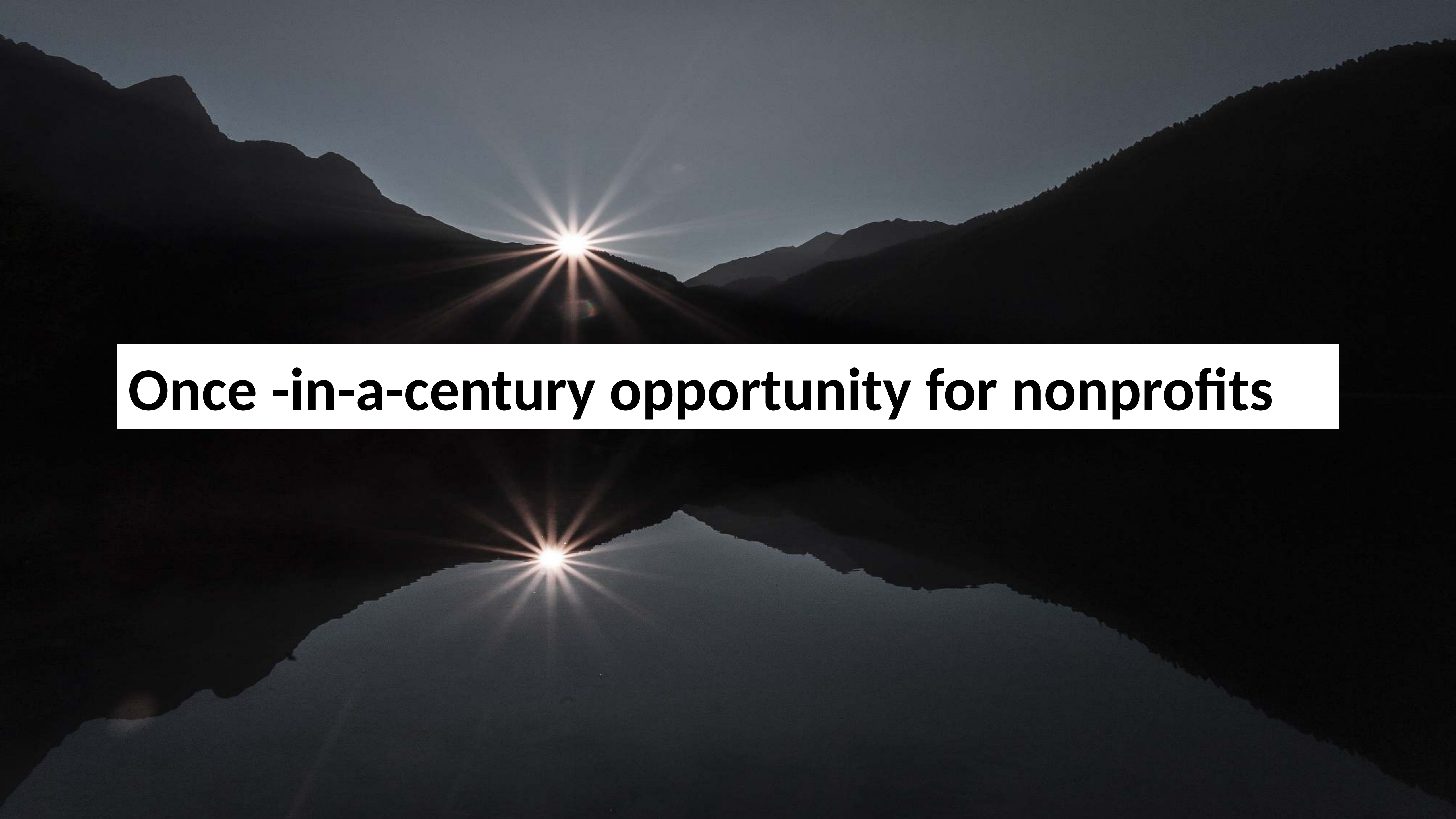
Gifts that protect donors' assets

Non-cash gifts are commonly incorporated into planned gift arrangements

The Great Wealth Transfer: Trillions in Motion

- Estimated $84.4 trillion in wealth transfer between 2021 and 2045.
- Baby Boomers will transfer approximately $72.6 trillion to heirs and charities.
- Generation X anticipated to receive over $30 trillion through inheritances.
- Millennials expected to inherit $27.4 trillion in the next two decades.

Once -in-a-century opportunity for nonprofits

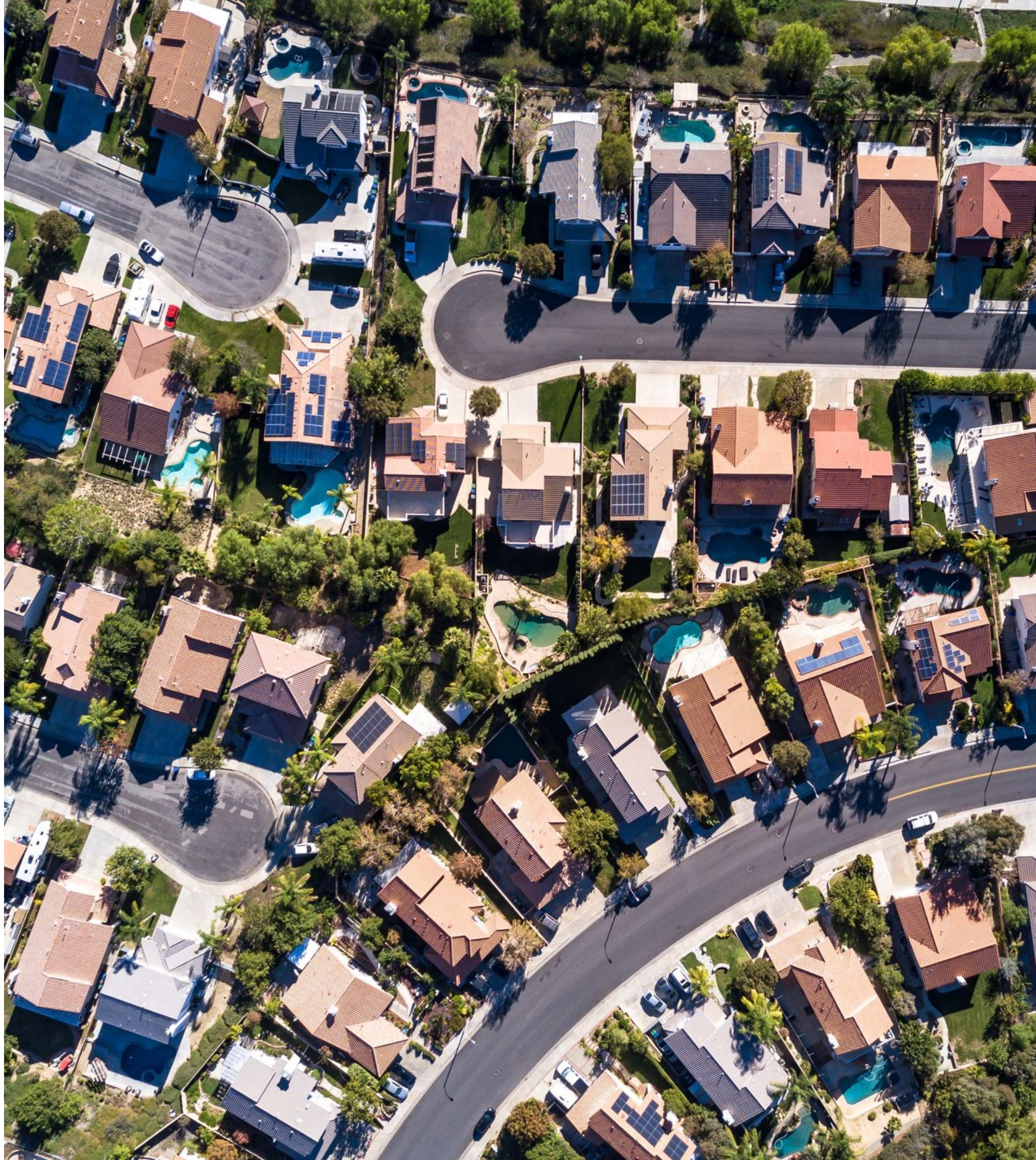


- Baby Boomers hold a vast amount of personal wealth
  - Size of generation
  - Social changes (woman working)
  - Education rate
  - Housing prices
  - Economics

Wealth Consolidation

Assets values have skyrocketed (housing, stock market, IRAs,

- **Boomers own 44% of real estate wealth in 2021**
- **Boomers own 28% of large homes in US – many are completely paid off (no liquidity) – want to stay home**
- **(in 2023 Boomer real estate wealth was $18T, compared to $5T for Millennials**



Implications for Charitable Giving

- A Golden Age for Philanthropy
  - Only 9% of wealth transfer currently designated for charitable purposes.
  - Potential for $8.8 trillion in charitable giving if current patterns hold.
  - Opportunity to increase charitable portion through intentional planning.
  - Women will control much of transferred wealth and tend to be more philanthropic.

The Impact of Unrestricted Gifts

- Empowering Non-Profits
  - Many donors restrict gifts without understanding implications.
  - Unrestricted gifts: Provide flexibility to meet emerging needs, allow for strategic long-term planning, enable rapid response to crises, support essential operating costs.
  - Consider encouraging clients to trust the organization's judgment.

Why This Matters Now

Societal Impact:

- **Nonprofits face increasing demand for services**
- **Government funding constraints**
- **Rising costs of operation**
- **Need for sustainable funding sources.**

Urgency for Planning

Act Now to Maximize Impact

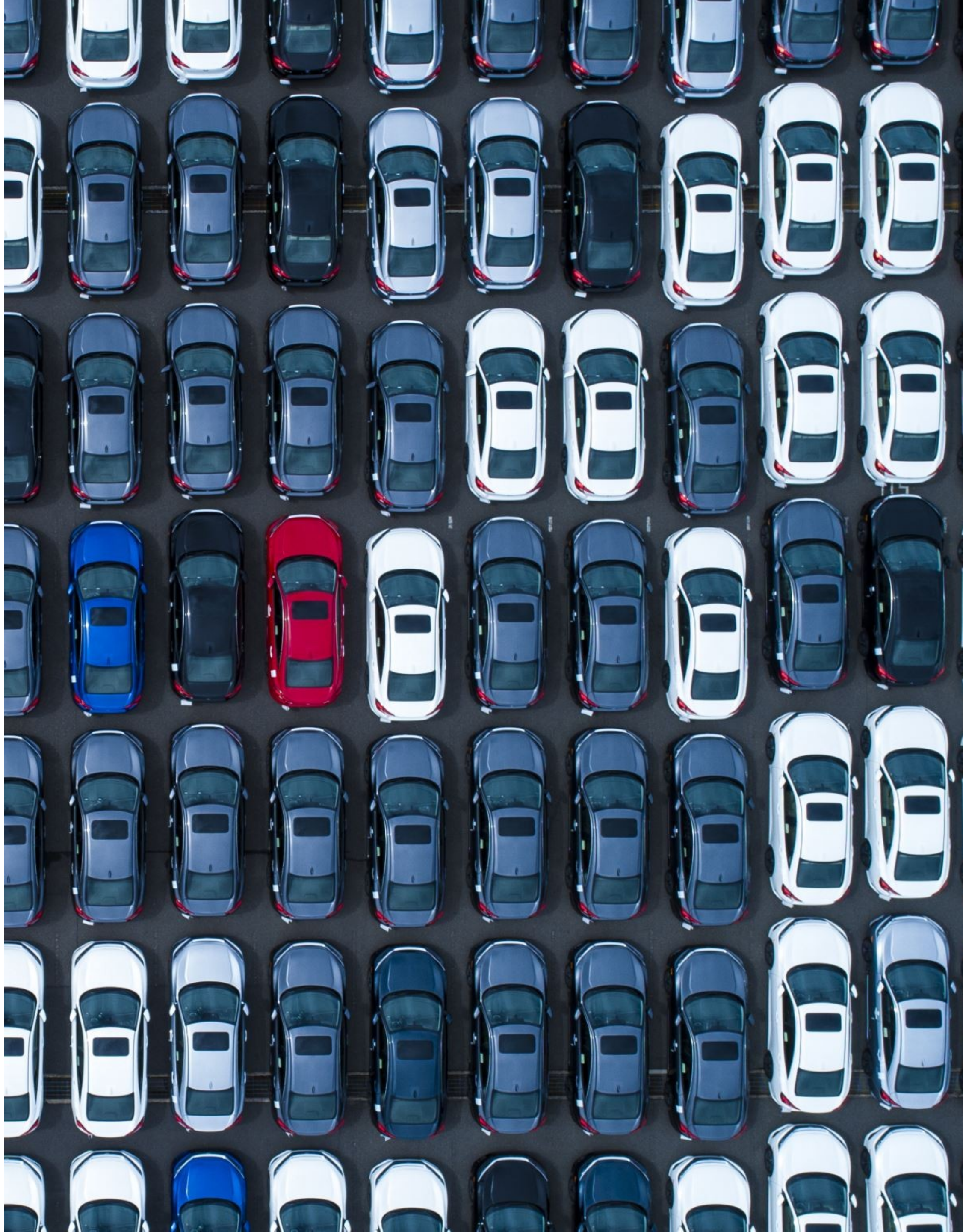
- **50% of wealthy individuals lack comprehensive estate plans.**
- **Only 24% of plans currently include charitable provisions.**

Percentage of people in each generation who have an estate plan

- Baby Boomers (57.5%)
- Silent Generation (54%)
- Gen X (53%)
- Millennials (43%)
- Gen Z (39%)

Common Misconceptions to Address

- Dispelling the Myths
  - Myth: 'Planned giving is only for the ultra-wealthy.'
  - Reality: Gifts of any size can make an impact. Most vehicles are available for any size estate.
  - Myth: 'It's too complicated.'
  - Reality: Most planned giving options are straightforward. Non-profits have dedicated staff to help facilitate.
  - Myth: 'It will disinherit my family.'
  - Reality: Many vehicles allow for both family and charitable benefits. Can actually enhance family's financial position through tax savings.



Workhorses of Planned Giving

- Bequests: Gifts in Wills and Trusts
- Beneficiary Designations:
  - Simplest form of planned giving, no cost to implement, flexible and revocable.
    - Donor Advised Funds*
    - Retirement Accounts
    - Insurance Policies
    - Annuities

Unlock Hidden Value of Nonprofit Partnerships

Donor Advised Funds (DAFs)

- Nonprofits Want Advisors to Know:
  - They LOVE getting gifts from DAFs
  - DAF gifts can make it more difficult to build relationship with donor
  - Nonprofit direct gifts can provide same tax benefits and can work with donor to direct distributions
  - If donors have DAFs name favorite nonprofits as beneficiary

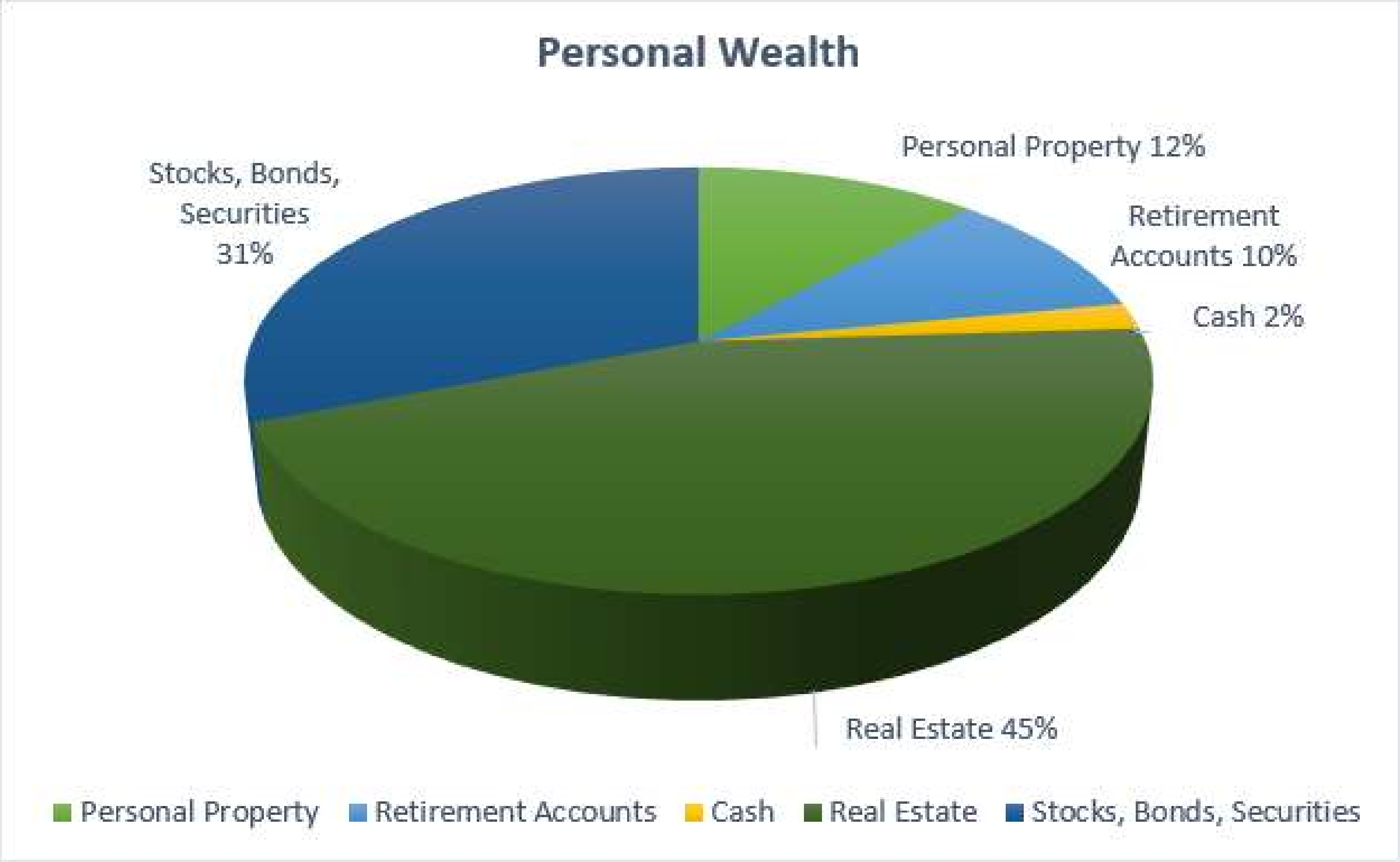
Income in Respect of a Decedent (IRD)

Beneficiary Designation Assets

Reg. 1.691(a)-1(b)

GROSS INCOME 'NOT PROPERLY INCLUDABLE IN COMPUTING [DECEDENT'S] TAXABLE INCOME FOR THE TAXABLE YEAR ENDING WITH THE DATE OF HIS DEATH.'

- **Examples:**
  - **IRAs**
  - **pension plans,**
  - **the ordinary element within a commercial annuity,**
  - **stock options**
  - **unqualified deferred compensation**
  - **the gain in installment notes**
  - **ordinary element within U.S. savings bonds.**


Personal Wealth
Personal Property 12%
Retirement Accounts 10%
Cash 2%
Real Estate 45%
Stocks, Bonds, Securities 31%
Personal Property
Retirement Accounts
Cash
Real Estate
Stocks, Bonds, Securities

Gift of Cash

Prepared For Example Donor

Gift Benefits

Gift Value	$100,000
Tax Savings	$24,000

1. Cash gift to charity. Income tax charitable deduction of $100,000.

2. Benefits for both the donor and the charity. Income tax savings of $24,000.

3. Donor has satisfaction of fulfilling charitable purpose and enjoys immediate tax benefits.

Win/Win of Gifting Appreciated Assets

- Income generation from low or non income producing assets
- Avoid/Reduce capital gains tax*, receive fair market value deduction, remove appreciated assets from taxable estate.
- Common examples: Publicly traded securities, real estate, closely-held business interests, tangible personal property.

Gift Appreciated Asset

Prepared For Example Donor

1. Appreciated property gift to charity. Bypass capital gain on appreciation value. Tax savings of $11,250 on bypass of gain.

2. Benefits for both the donor and the charity. Income tax charitable deduction may save taxes of $24,000.

3. Net to donor equals tax saved from bypass of gain and tax deduction. Total savings $35,250. Plus gift of $100,000.

Less Frequently Used but Highly Valuable Planned Giving Options

- **Charitable Gift Annuity**
- **Bargin Sales**
- **Charitable Trusts – In all their forms**

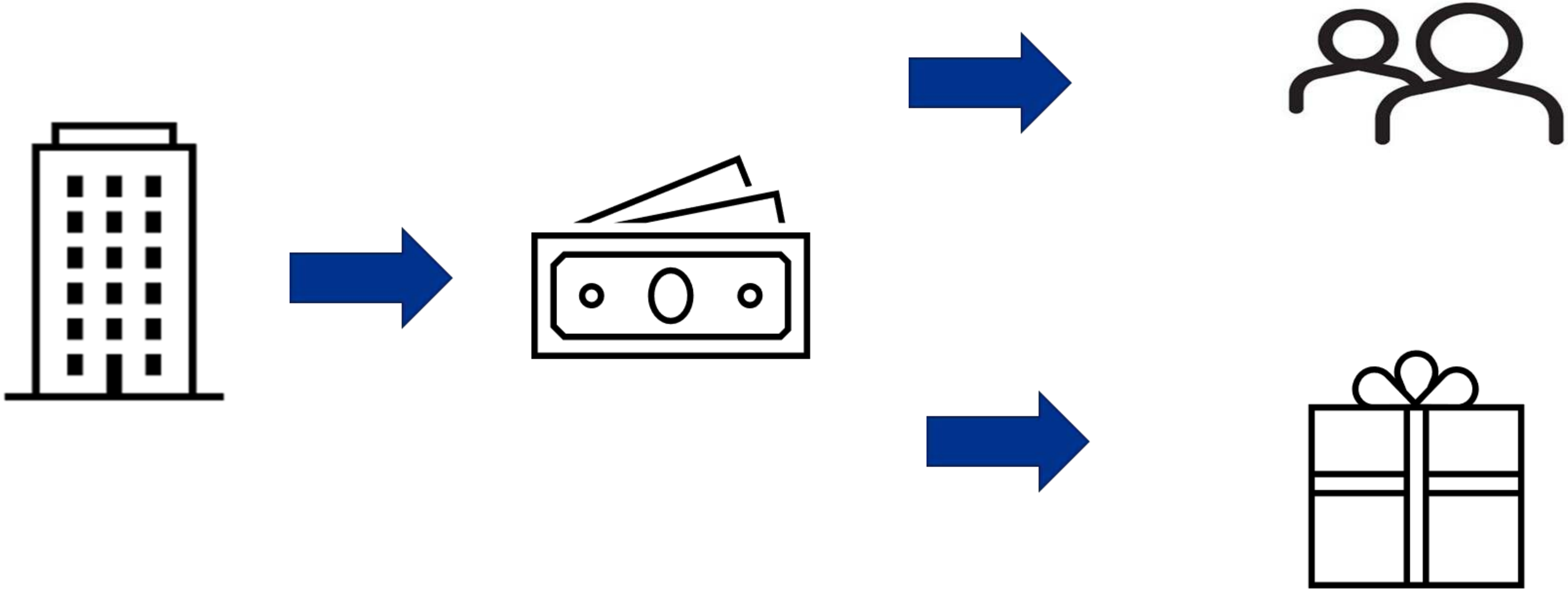
Case Study: Tired Landlords

Facts:

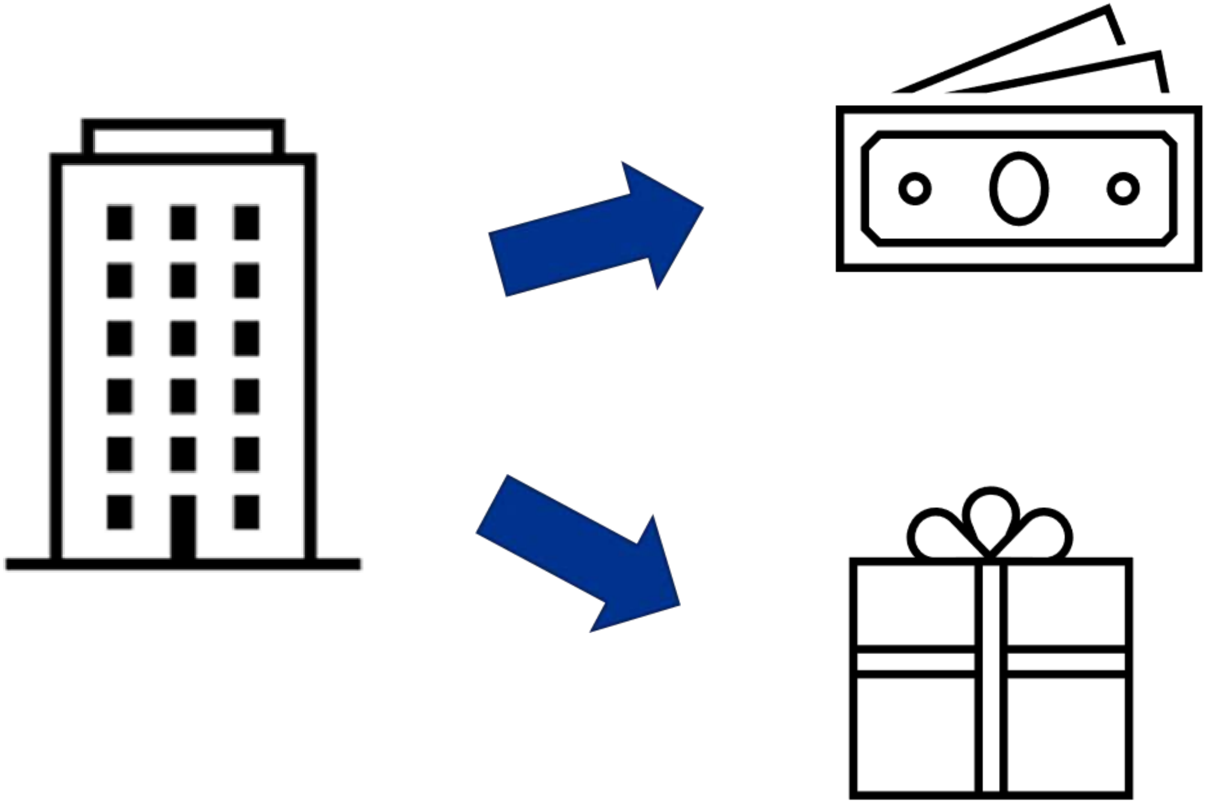
- Couple 87 & 86 years old
- 2 Children
- Want to save on taxes
- Charitably orientated
- Low basis rental property
- Need Income
- Tired of being landlords

Appraised Value: $4,000,000
Basis: $121,000

Sale and Gift



Bargain Sale



Bargain Sale

Prepared For Teacher

Property

Value	$4,000,000
Costs*	$121,000
Gain	$3,879,000

Sale Portion

$2,490,515

Charity

$1,509,485

Benefit to Donor

Cash Sale	$2,490,515
Tax on Gain	$362,277
Taxes Saved	$362,276
Net to Donor	$2,490,514

1. When property sold at bargain price to charity, income tax deduction saves $362,276. Capital gain bypass on gift portion may save $219,573.

2. Long term capital gain is the difference between sale price and basis allocated to sale. Tax of $362,277 on gain is offset by charitable income tax saving.

3. Net to donor is cash benefit less net income taxes paid or $2,490,514. Donor reduces taxes by $581,849 and makes a $1,509,485 gift.

Bargin Sale

The charitable gift is the fair market value less the sale price. With respect to the taxable sale portion, the difference between the sale price and the allocated basis will be in most cases long-term capital gain. Reg. 1.1011-2(a)(1).

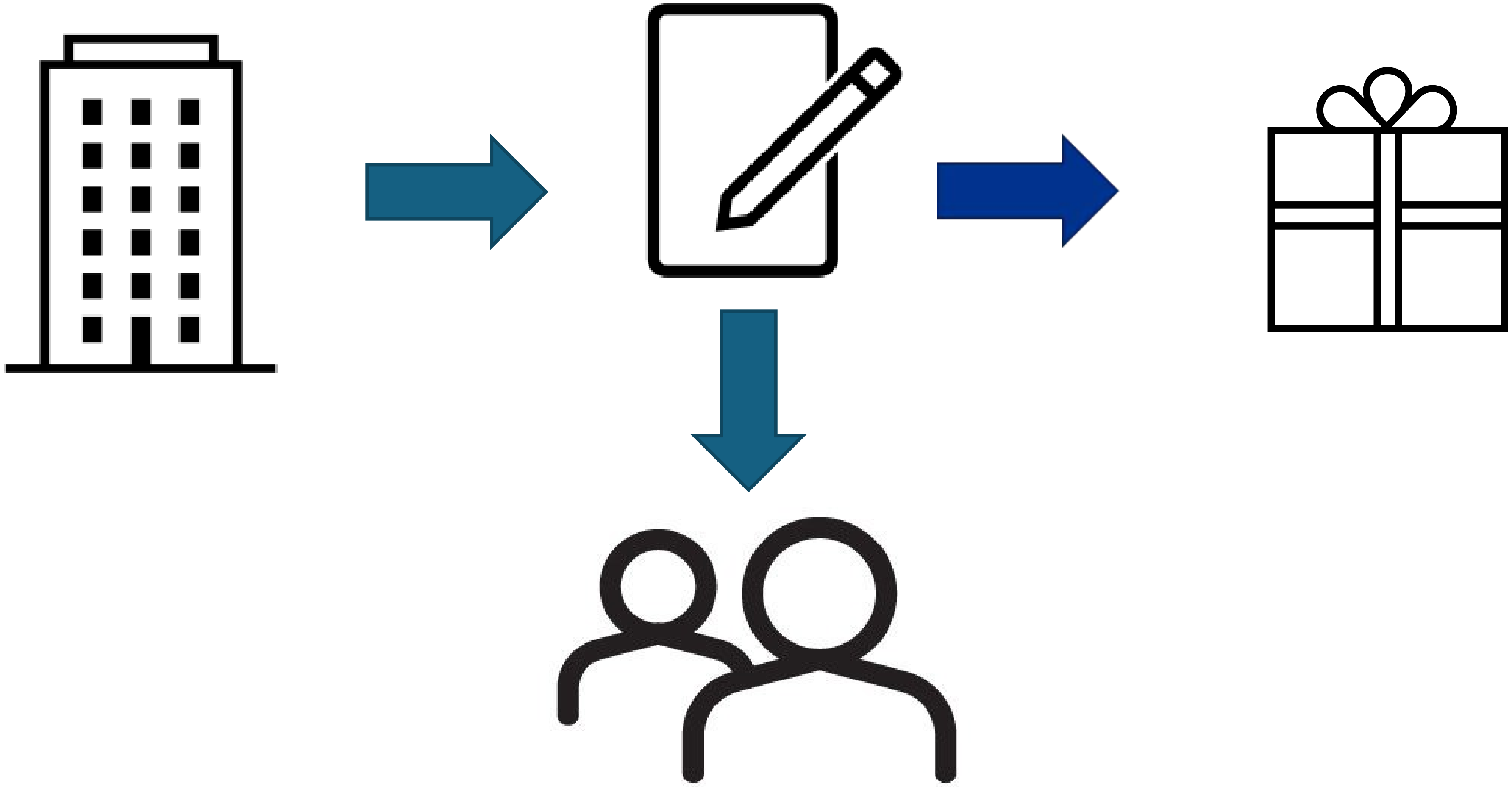
With a bargain sale, the excess of fair market value over the price paid produces a charitable deduction. Normally, this is an appreciated-type charitable deduction that may be used up to 30% of adjusted gross income. Sec. 170(b)(1)(C).

If the asset is a long-term capital gain asset, then the sale price less the prorated basis on that amount will be subject to tax at the reduced capital gain rate.

	No Gift	Sale/Gift 20%	Gift 20%/Sale	Gift 100%
Property Value	$4,000,000	$4,000,000	$4,000,000	$4,000,000
Cost Basis	$121,000	$121,000	$121,000	$121,000
Sale Portion	$4,000,000	$4,000,000	$3,200,000	$0
Allocated Basis	$121,000	$121,000	$96,800	$0
Net Gain	$3,879,000	$3,879,000	$3,103,200	$0
Tax on Gain	$581,850	$581,850	$465,480	$0
Taxes Saved	$0	$192,000	$192,000	$960,000
Net to Donor	$3,418,150	$2,810,150	$2,926,520	$960,000
Charity	$0	$800,000	$800,000	$4,000,000
Gift Cost	$0	$608,000	$491,630	$2,458,150

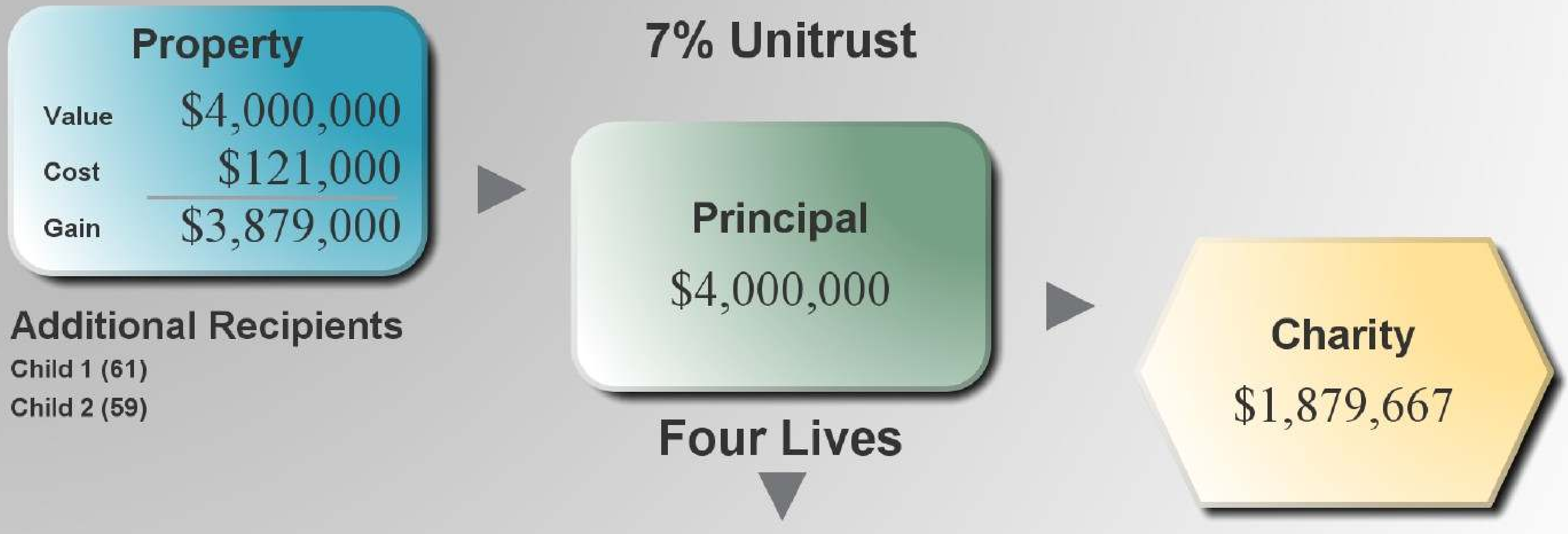
Note: The Income Tax rate is assumed not lowered by the charitable gift.

Charitable Remainder Trust



Charitable Remainder Unitrust

Prepared For Teacher (87)
Prepared For Homemaker (86)



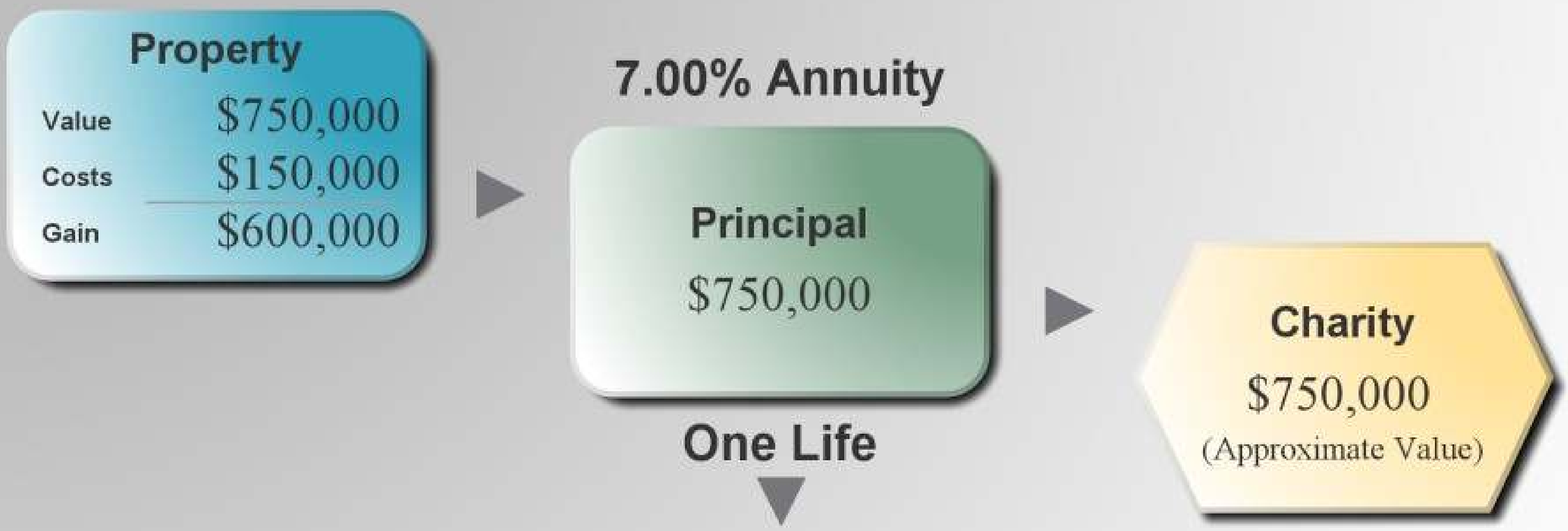
1. Give asset, sell Tax-Free. Bypass up to $3,879,000 gain may save $581,850. Income tax deduction of $586,960 may save $140,870.

2. UT annual income $280,000. Increased income $120,000 over prior $160,000 income. Estimated income in 35.8 years $7,110,099. Effective pretax rate 7.26%.

3. If trust earns 4.91%, pays 7%, then decreases by 2.09%. After four lives, trust passes without probate to charity.

Charitable Gift Annuity

Prepared For Single Male Prospect (75)



1. Gift property to charity. Partial bypass $600,000 gain may save $37,364. Income tax deduction of $311,368 may save $74,728.

2. Annuity of $52,500.00 for one life. Tax-free amount $7,086.15. Estimated one life payout of $824,250. Effective payout rate 8.6%.

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

Risk Mitigation for Charity

Discounted Charitable Gift Annuities

- Reduced valuation (10-15% reduction of FMV)
- Reduced payout rate (10-15% reduction in payout %)

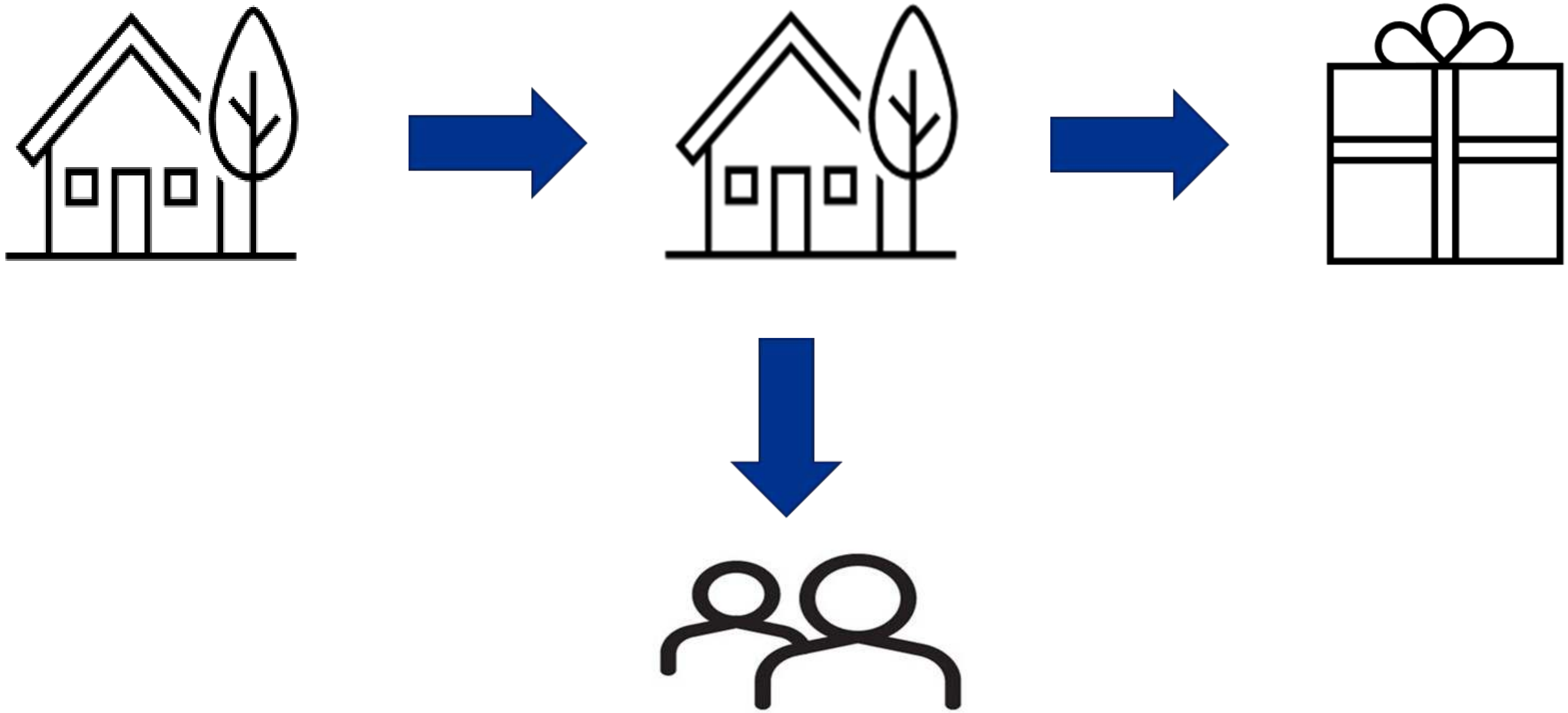
Deferred Payment Gift Annuities

- Deferred payout for 18-25 months

“Unprearranged” Prearranged Sale

- Gift accepted only if buyers are waiting in the wings
  - Rev. Rul 78-197 – follow to avoid loss of deduction

Retained Life Estate



Retained Life Estate with Charitable Gift Annuity vs. Reverse Mortgage

Rose (age 75) Home is valued at $750,000

	Charitable Gift Annuity	Reversed Mortgage
Live in Home	✓	✓
Pay Taxes	✓	✓
Pay Insurance	✓	✓
Tax Deduction	$157,607	🚫
Payout Basis	$393,693	$325,052
Monthly Payout Amount	$2,229.54	$1,971
End of Life	$750,000 + to Charity	Possibly 5% to heirs
Guaranteed	✓	🚫
Income Tax Free	69.1% Tax Free	🚫

Please consider telling the nonprofit

- Almost two-thirds (64%) of people who left a gift to charity in their will did not inform the charity they were doing so.
- Additionally, nearly half (47%) said it never occurred to them to inform the charity about the gift.
- 2025 State of Estate Planning Report

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- 2025 State of Estate Planning Report

Why this should motivate you

Building a Legacy of Giving

Family Philanthropy: **Including children in charitable discussions, family foundation options, donor advised funds as training tools, building multi-generational legacy.**

Relationship building with next generation

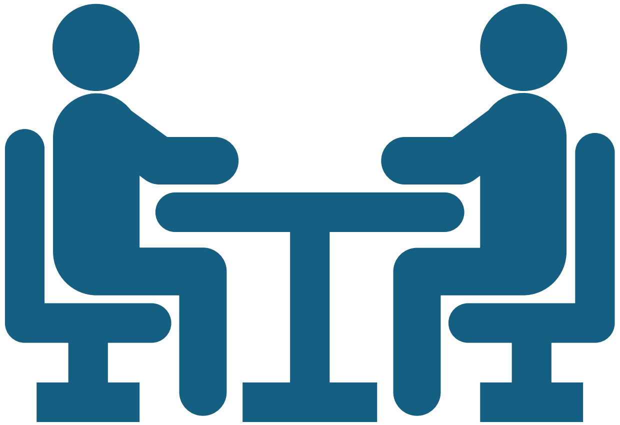
- **Shrinking client pool with consolidation of wealth**

Estate planning can run in the family

People whose parents have/had an estate plan are 2.5x more likely to have consulted with an estate planner, estate attorney, or family attorney regarding a trust or will.

Why Your Involvement Matters

- **Your Clients, Your Expertise, Their Legacy**
  - **Your clients trust you as their primary source of philanthropic planning guidance.**
  - **You're uniquely positioned to help clients achieve both their financial and charitable goals.**
  - **Many clients have charitable intent but never act because they aren't properly advised about their options.**
  - **Planned giving can offer significant tax advantages while creating lasting impact.**



Working Together: Best Practices

- A Collaborative Approach
    - Include non-profit officers early in discussions.
    - Share technical requirements and deadlines.
    - Communicate client's wishes and restrictions clearly.
    - Leverage non-profit resources and expertise.
    - Stay informed about the organization's priorities and needs.

Want to Partner to Help Donors Feel Good About Giving

Established non-profits have:

- **Dedicated planned giving professionals**
- **Technical expertise**
- **Free resources**
- **Ability to accept complex assets**
- **Relationships with intermediary organizations**

Resources Nonprofits Can Provide

- Your Partners in Planned Giving
  - Gift planning calculations and illustrations
  - Sample bequest language for gifts to non-profit organization
  - Technical expertise on gift vehicles
  - Impact reporting and stewardship
  - Educational materials for clients