November 2015

The News You Need to Know

Left to right: Steven Bell, Thomas Page, Christopher Miller, Alan Loss and Andrew Barninger.

Upcoming Events

Charitable Giving

How you can support charities that you care about as part of your financial plan.

Special Guest Speaker
Vicki Haake, CGPA, Director, Estate & Gift Planning
American Cancer Society, Inc.

November 18, 2015
2:00 p.m. to 3:00 p.m.

Personal Wealth Advisory
630 Delp Road, Lancaster

You are welcome to bring a guest who you feel may benefit from this program. Call 717-735-1170 to register or psnow@pwallc.net by November 13th
Seating is limited.

Personal Wealth Advisory, LLC
Wise strategies for your wealth and your life

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Ways the Middle Class Can Make a Difference for Charity

You don't need to be wealthy to make an impact and get a win-win.

Do you have to make a multimillion-dollar gift to a charity to receive immediate or future financial benefits? No. If you're not yet a millionaire or simply a "millionaire next door," yet want to give, consider the following options which may bring you immediate or future tax deductions.

Partnership gifts. These gifts are made via long-term arrangements between donors and recipient charities or non-profits, usually with income resulting for the donor and an eventual transfer of the principal to the charity at the donor's death.

For example, a *charitable remainder trust* (CRT) also allows you to pay yourself a dependable income (typically either for life or a 20-year term) and then distribute the remaining trust principal to charity. Income from the CRT can even be directed to another (non-charitable) beneficiary. You could even name a CRT as the beneficiary of your IRA as part of your estate planning strategy. A *charitable lead trust* (CLT) offers you the potential to reduce gift and estate taxes on assets passing to your heirs by making annual charitable gifts; either you or your beneficiaries eventually get the leftover trust assets.[1,2]

If you don't have enough funds to start one of these, you might opt to invest some of your assets in a *pooled income fund* offered by a university or charity. Your gifted assets go into a "pool" of assets invested by a fund manager; you get a *pro rata* share of the income of the fund for life, and when your last income beneficiary passes away, the principal of your gift goes to the school or charity.

If you like the idea of a family foundation but don't quite have the money and don't want the bureaucracy, you could consider setting up a *donor-advised fund*. You make an irrevocable contribution to a third-party fund, realizing an immediate tax deduction; the fund invests the money in an account you create. You advise the fund where the money goes and how it grows, but the fund makes the actual grants to nonprofits.

Lifetime gifts. These are charitable gifts in which the donor retains no powers or other controls over the gift once it is made (the gift is irrevocable). A lifetime gift of this sort is not included in what the IRS calls your Gross Estate (but taxable gifts are used in calculation of estate tax).[3]

Lifetime gifts also include *outright gifts* of cash or appreciated assets such as stocks or real estate. A gift of appreciated stock could bring you an immediate tax deduction for the full market value of the shares, and help you avoid the capital gains tax that would result from their sale.[4]

Through a partial or whole gift of *appreciated property*, you can transfer a real estate deed to a school or charity and get around capital gains taxes that may result from a property's sale (and lifelong income streams may also be arranged for a donor). If you have held the appreciated property for at least a year, the gift is deductible up to 30% of adjusted gross income with no capital gains tax on the appreciation. You could even arrange a *retained life estate*, in which you deed your home to a charity or non-profit while retaining the right to live in it as your primary residence for the rest of your life.[5,6]

Estate gifts. These are deferred gifts you make after your lifetime, without impact on your current lifestyle. A gift of life insurance to a university or charity can give you an immediate income tax deduction for the cash surrender value of a paid-up policy, and possible future deductions. You can also make an IRA gift or retirement plan gift effective upon your death; if the charity is named as the beneficiary of the account, the full value of the account will transfer to the charity without being subject to estate or income taxes.[7,8]

The caveats. As your income increases, you may face limits on the amount of charitable gifts you can deduct. If you are retired, an increase in income can also cause more of your Social Security benefits to be taxed. Your charitable deductions for any federal tax year cannot be more than more than 50% of your adjusted gross income (possibly 30% or 20% depending on the specifics of your gifts). But if you exceed such limits, the IRS lets you carry forward excess contributions for up to five years.[9,10]

Would you like to learn more? Now is as good a time as any to do so. Your charitable gifting can have real impact even if you don't have a fortune. Keep in mind that your unique circumstances need to be weighed before making any decision. As with all tax and estate planning, please consult your financial advisor, attorney or tax advisor to affirm that you are in a position to fully benefit from charitable deductions.

Citations.

1 - fidelity.com/viewpoints/personal-finance/charitable-giving-that-gives-back [7/2/15]
2 - blogs.wsj.com/totalreturn/2015/06/11/another-death-triggered-tax-event-to-worry-about/ [6/11/15]
3 - irs.gov/Businesses/Small-Businesses-&-Self-Employed/Frequently-Asked-Questions-on-Estate-Taxes [8/19/15]
4 - philanthropy.com/article/Donors-Often-Overlook-Benefits/148561/ [8/29/14]
5 - planyourlegacy.berkeley.edu/gift-types/ages-65-plus/real-estate [10/21/15]
6 - planyourlegacy.berkeley.edu/gift-types/ages-65-plus/retained-life-estate [10/21/15]
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8 - tallahassee.com/story/money/2015/10/10/giving-university-goes-beyond-writing-check/73604516/ [10/10/15]
9 - smartasset.com/retirement/is-social-security-income-taxable [5/1/15]
10 - bankrate.com/finance/taxes/get-a-tax-deduction-for-charitable-giving-1.aspx [12/14/14]