

An Overview of Charitable Giving Strategies

Gifting Cash/ Gifts Outright: You can contribute cash or donate items to a charity outright in any given year and take an immediate tax deduction in the year the donation was made.

Pros:

- Easy and flexible: you decide which charity receives the money, when they receive it, and can even request that the funds be used for a certain purpose.
- Deductible: Considering the current standard deduction is ~\$13k, and you already deduct \$10k for your real estate taxes, donating ~\$3k or more in a given year will allow you to itemize your deductions.

Cons:

- No growth of the assets after they transfer to charity.
- No appreciation has been removed from your portfolio.

Donor Advised Fund (DAF): A kind of charitable investment account created for the sole purpose of supporting charitable organizations. You can contribute cash, securities, or other assets to donor advised funds and take an immediate tax deduction in the year the donation was made. Those funds can then be invested for tax free growth and you can distribute grants to qualified charities over the next several years as you wish.

Pros:

- Easy and flexible: you decide which charity receives the money, when they receive it, and can even request that the funds be used for a certain purpose.
- Deductible: Contributing ~\$3k or more in a given year will allow you to itemize your deductions.
- Allows for contributions of highly appreciated securities. Removing these securities from your portfolio can save on long-term capital gains taxes in the future.
- Allows you to invest the funds (or leave the securities you contribute invested) with the potential to grow while they are in the donor advised fund, before you gift to charity.
- Provides a separate account with a record of your charitable gifts for the year.

Cons:

- Not as flexible as a private foundation: cannot provide scholarships or fellowships directly to individuals or make direct grants to families or individuals facing hardships or emergencies.
- Each donor-advised fund sets its own minimum amount for grants to charities; Fidelity and Schwab currently have \$50 minimums.
- Fidelity, Vanguard, and Schwab all charge ~0.6% administrative fees for accounts with balances up to \$500,000. All three have tiered expense structures, so accounts with balances greater than \$500,000 are subject to lower fees in percentage terms.

Private Foundations: If you have a significant amount of assets that you would like to donate towards charitable or social goals, a private foundation may be considered. A private foundation is a nonprofit organization that may serve as a private, family-controlled receptacle for charitable contributions by family members. Contributions to a private foundation are deductible for federal gift and estate tax purposes.

Pros:

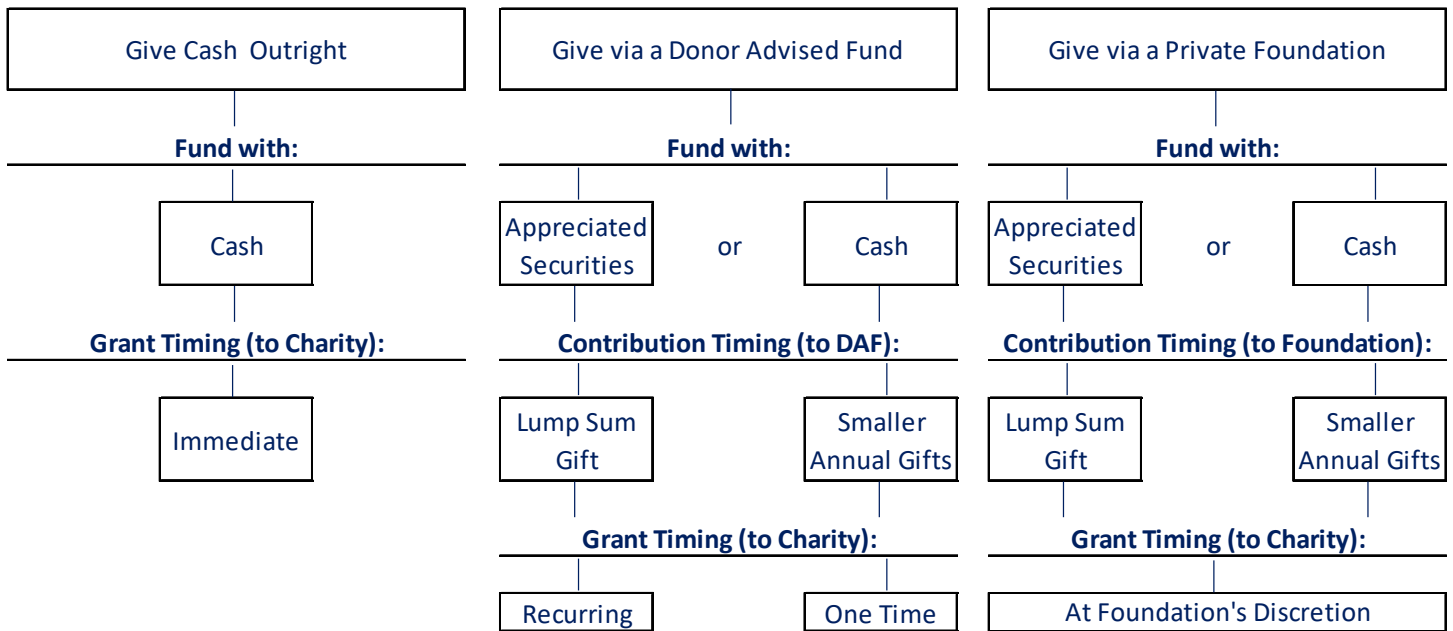
- Deductible: Contributing ~\$3k or more in a given year will allow you to itemize your deductions.
- Control: As foundation trustee, you remain in control of the investment and management of the funds as well the final charitable disposition.
- Consistency in Giving: Under normal circumstances, foundations may accumulate and hold a portion of their funds. Foundations may also choose if and when to distribute such accumulated funds. Thus, even

though yearly contributions to the foundation may vary, giving levels are able to remain constant. Such consistency may be particularly helpful to charities that rely on level funding from year to year.

Cons:

- Initial Time Commitment and Costs, including legal and accounting fees.
- Excise Tax: Private family foundations are subject to a 1.39% annual excise tax on net investment income.
- Recordkeeping Requirements: At a minimum, family foundations should properly document grants and keep regular meeting minutes.
- Annual Reporting Requirements: Tax filings required by the IRS and most states typically require 4-8 hours to complete each year by an accountant or attorney.
- Lower Deductibility Caps: Individuals may receive tax deductions for donations to public charities to the extent of 60% of their adjusted gross income (AGI) for cash gifts and 30% of AGI for gifts of appreciated property. For gifts to private foundations, however, the limits are 30% of AGI for cash gifts and 20% of AGI for appreciated property.

Charitable Giving Decision Flow Chart:



SAMPLE CLIENT
Estate Plan Overview

General Estate Planning Comments:

- As you consider your estate planning intentions, it is important to note that assets transfer to your descendants by one of three ways: by title of account (i.e. jointly owned home), by beneficiary designations (i.e. retirement and life insurance accounts), or by will (i.e. tangible property, taxable assets, and residuary estate assets).

- All estates are entitled to use the Unified Estate and Gift Tax Credit to offset the estate tax liability on a dollar-for-dollar basis. The credit is the equivalent of an estate assets exemption. For 2019 the estate tax exemption is \$11,400,000 per person (\$22,800,000 per couple). This is separate and distinct from the annual gift tax exemption (\$15,000 for 2019), which applies on a per beneficiary basis.

- Pennsylvania imposes an inheritance tax upon the transfer of assets from every PA-state resident. The inheritance tax is imposed on nearly all assets, with the exception of life insurance. The tax rate is based on the relationship of the heir to the decedent. The tax rates are noted as follows:
 - Spouse: 0%
 - Children: 4.5%
 - Siblings: 12%
 - Other Heirs: 15%, except charitable organizations, exempt institutions

- Given the increased estate tax exemption, we do not have current concern about Federal estate tax. We would note, however, that laws change frequently and that it may be attractive to include some contingent tax planning in your documents. Please note that each of your individual exemptions is fully portable to the other spouse if unused at first death so long as proper returns are filed.

The following items are key components of your estate plan:

Treatment of Personal Property and Real Estate

Treatment of Residuary Estate

Charitable Bequests

Trusts Established For Children

Asset Held Outside of Estate

- Charitable Lead Trust
- Charitable Remainder Trust
- Donor Advised Fund
- Irrevocable Trust FBO Heirs

Sample Client
Estate Planning Review

Scenario: Client Passes Away

Client's assets at time of death...

Taxable		Retirement		Non-investment Assets		Other		Gross Estate	
Checking/Savings	\$ 500,000	IRA	\$ 2,000,000	Primary Home	\$ 1,000,000	Life Insurance Proceeds	\$ 500,000	Gross Taxable Assets	\$ 3,500,000
Brokerage	2,000,000	Employer 401(k)	2,000,000	Timeshare	50,000			Gross Retirement Assets	4,000,000
Private Investment	500,000			Personal Property	250,000			Real & Personal Property	1,300,000
total	\$ 3,000,000	total	\$ 4,000,000	total	\$ 1,300,000	total	\$ 500,000	Net Estate Value	\$ 8,800,000

Trust for Pets		Trust for Residence		Federal Estate Tax	
Direct Bequest	\$ 300,000	Primary Home	\$ 1,000,000	Net Estate Value	\$ 8,800,000
				Less: Exemption (est.)	(6,000,000)
				Less: Charitable Bequests	(1,000,000)
total	\$ 300,000	total	\$ 1,000,000	Net Taxable Estate	1,800,000
				Estate Tax Rate	35%
				Federal Estate Tax	\$ 630,000

Part 1: (Residuary to Family)

Brother		Brother		Sister		Sister		Sister	
Share of Siblings 20%	\$ 1,174,000	Share of Siblings 20%	\$ 1,174,000	Share of Siblings 20%	\$ 1,174,000	Share of Siblings 20%	\$ 1,174,000	Share of Siblings 20%	\$ 1,174,000
Less: PA Inheritance Tax (12%)	(141,000)	Less: PA Inheritance Tax (12%)	(141,000)	Less: PA Inheritance Tax (12%)	(141,000)	Less: PA Inheritance Tax (12%)	(141,000)	Less: PA Inheritance Tax (12%)	(141,000)
Total	\$ 1,033,000	Total	\$ 1,033,000	Total	\$ 1,033,000	Total	\$ 1,033,000	Total	\$ 1,033,000

Part 2: (\$1M to Charity)

Alma Mater		Private High School		Religious Organization		Other Charities		Animals	
20% of Charitable Share	\$ 200,000	20% of Charitable Share	\$ 200,000	20% of Charitable Share	\$ 200,000	Passion #1	\$ 66,667	20% of Charitable Share	\$ 200,000
						Passion #2	66,667		
Total	\$ 200,000	Total	\$ 200,000	Total	\$ 200,000	Passion #3	66,667	Total	\$ 200,000
						Total	\$ 200,000		

SAMPLE CLIENT

Executor	Name	Address	Email	Phone	Contact
Named	Justin Spike	485 Devon Park Drive, Suite 119, Wayne, PA 19087	justin.spike@radnorfinancial.com	(610) 975-0314	Self
Backup	Jaime Fineman	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self
Trustee	Trusts created by Will	Address	Email	Phone	Phone
Named	Justin Spike	485 Devon Park Drive, Suite 119, Wayne, PA 19087	justin.spike@radnorfinancial.com	(610) 975-0314	Self
Backup	Jaime Fineman	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self
Beneficiary	Life Insurance	Address	Email	Phone	Phone
Primary	Jaime Fineman 100%	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self
Contingent	Benjamin Spike 50%	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self
Contingent	Zoe Spike 50%	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self
Beneficiary	IRA	Address	Email	Phone	Phone
Primary	Gladwyne Montessori School 33%	920 Youngs Ford Rd, Gladwyne, PA 19035	john@gms.com	(321) 654-0987	John Smith
Primary	Temple University Hospital 33%	3401 North Broad Street Philadelphia, PA 19140	jane@tuh.com	(123) 456-7890	Jane Smith
Primary	Jaime Fineman 33%	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self
Contingent	Benjamin Spike 50%	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self
Contingent	Zoe Spike 50%	1291 Bobarn Drive, Penn Valley, PA 19072	jaimefine@gmail.com	(267) 265-8103	Self

KEY CONTACTS

Executor	Name	Address	Email	Phone
Wealth Advisor	Justin Spike	485 Devon Park Drive, Suite 119, Wayne, PA 19087	justin.spike@radnorfinancial.com	(610) 975-0314
CPA	Carl Rosenfeld	485 Devon Park Drive, Suite 119, Wayne, PA 19087	carl.rosenfeld@radnorfinancial.com	(610) 975-0315
Insurance Agent	Michael Mattise	485 Devon Park Drive, Suite 119, Wayne, PA 19087	mike.mattise@radnorfinancial.com	(610) 975-0316
Estate Attorney	Casey Shure	485 Devon Park Drive, Suite 119, Wayne, PA 19087	casey.shure@radnorfinancial.com	(610) 975-0317
Planned Giving	Anat Becker	1 Main Street, Sample, Sample 12345	anatbecker@sample.com	(610) 975-0318

CHARLES SCHWAB IRA
ATTACHMENT TO BENEFICIARY DESIGNATION

Account Holder:

SSN:

Account Number:

Change of Beneficiary

Primary Beneficiary:

1. To the following charities that are then in existence:
 - a. \$5,000 to ABC Strath Haven, Swarthmore, Pennsylvania.
 - b. \$5,000 to Swarthmore College Chester Children's Chorus, Swarthmore, Pennsylvania.
 - c. \$10,000 to The Chester Fund for Education and the Arts, Aston, Pennsylvania.
 - d. \$1,000 to Swarthmore Community Center, Swarthmore, Pennsylvania.

If there are insufficient funds to satisfy in full the charitable legacies under 1.a. through d. above, each shall be reduced pro rata.

2. The balance, if any, to my husband, if he survives me.

Contingent Beneficiary:

If my husband fails to survive me.....

Dated: _____

Signed: _____

CLIENT