

WEALTH ADVISORS: AN UNTAPPED RESOURCE IN PLANNED GIVING

Justin M. Spike, CPA, CFP®

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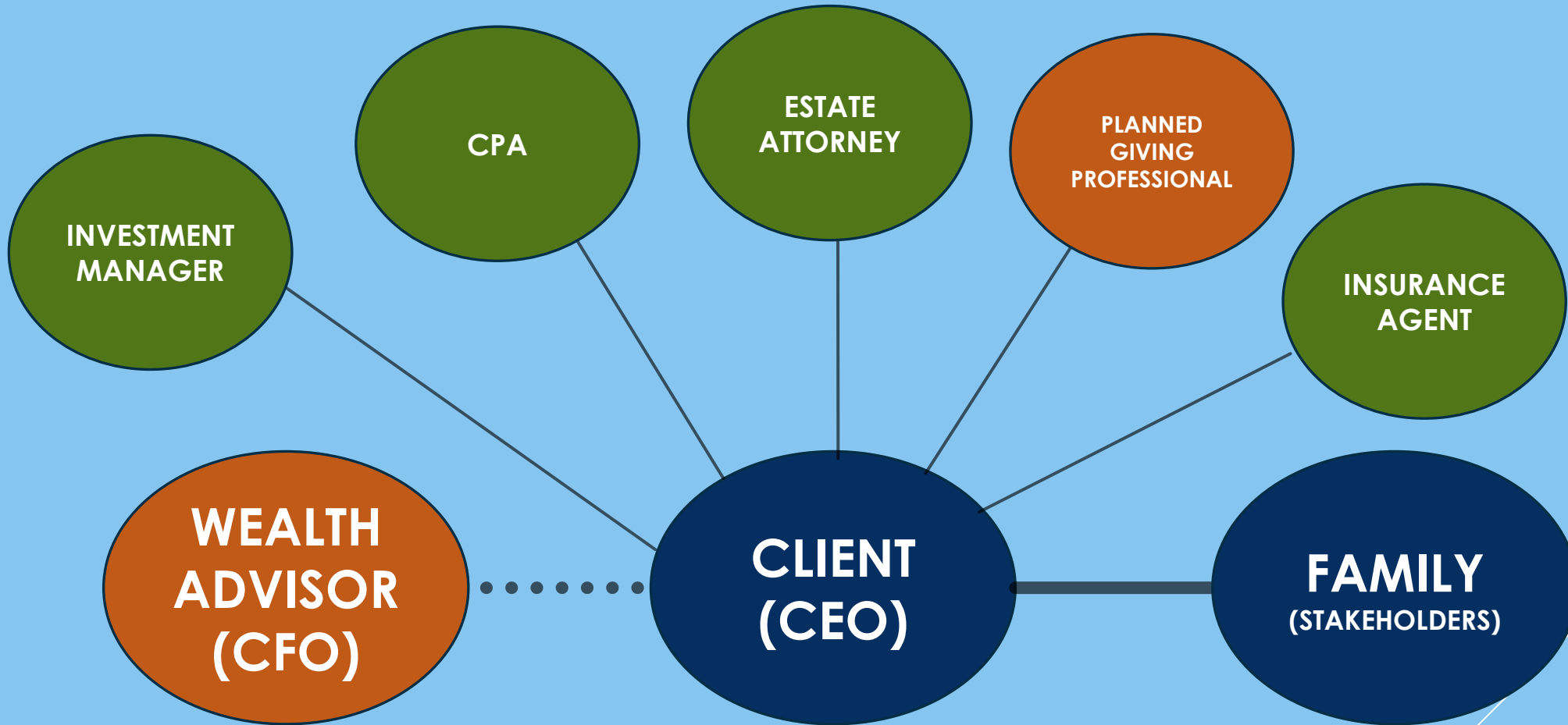
AGENDA

- **Client's Financial Planning Team**
 - **Developing Plans**
 - **Implementing Plans**
 - **Tax Laws**
 - **Client Experiences**
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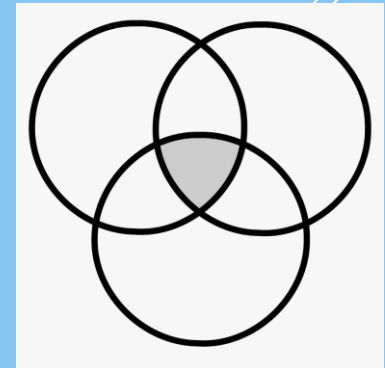
FINANCIAL PLANNING TEAM



WEALTH ADVISOR DEFINED

- **Financial Planning** – An ongoing and holistic view of family or business finances for the purpose of achieving stated goals.
- **Investment Management** – An academic approach to portfolio allocation and asset selection to align investments with a person's risk tolerance and cash needs.
- **Income Tax Service** – A comprehensive, year-long process to prepare tax projections, implement tax strategies, and ultimately file timely and compliant returns.

WEALTH ADVISORY → THE INTERSECTION OF ALL THREE!



WEALTH ADVISOR/CLIENT RELATIONSHIP

- Comprehensive, ongoing, and broad in scope
- Financial consultant, advisor and personal CFO
- Proactive, not reactive
- Business focused on generational wealth and succession planning
- Advisory “Quarterback” – central player within team of multiple trusted advisors
- Generally, fee only, fiduciary standard, and substantiated via registration with the SEC (Registered Investment Adviser; RIA)

WEALTH ADVISOR DATA

- **180,060 US Households With \$30M+**

*Knight Frank The Wealth Report (2021)

- **RIAs are primary service provider to these families**
- **Charitable giving has been pandemic “silver lining”**
- **85% of RIAs offer “Charitable Planning” citing “top” value added service**

*Charles Schwab RIA Benchmarking Study

- **Charitable Planning ties well to Generational Wealth Planning**

PLANNED GIVING DEFINED

- Integration of sound personal, financial, and estate planning concepts with an individual donor's plan for lifetime or testamentary gifts
- Planned Gift – charitable gift created now for the future benefit of a non-profit organization
- Plans give way to long-term and sustainable funding, a pipeline of strong donor relationships that need to be managed
- The INTERSECTION of Financial Planning and Philanthropy

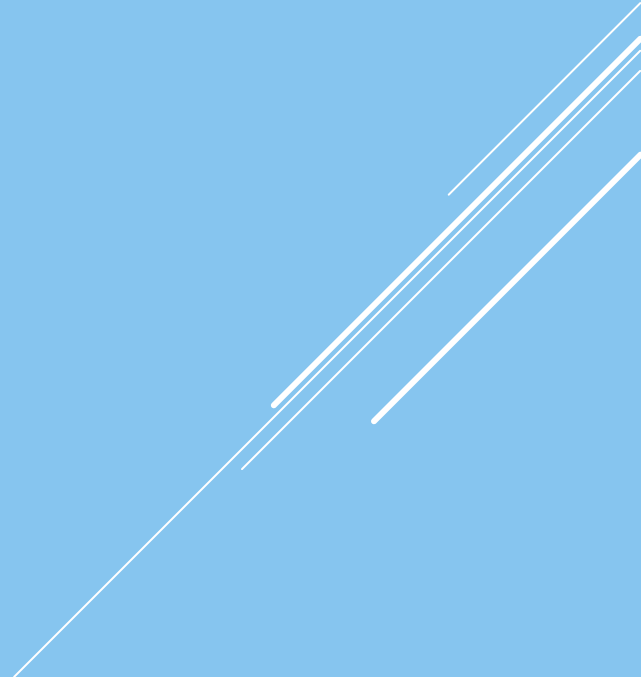
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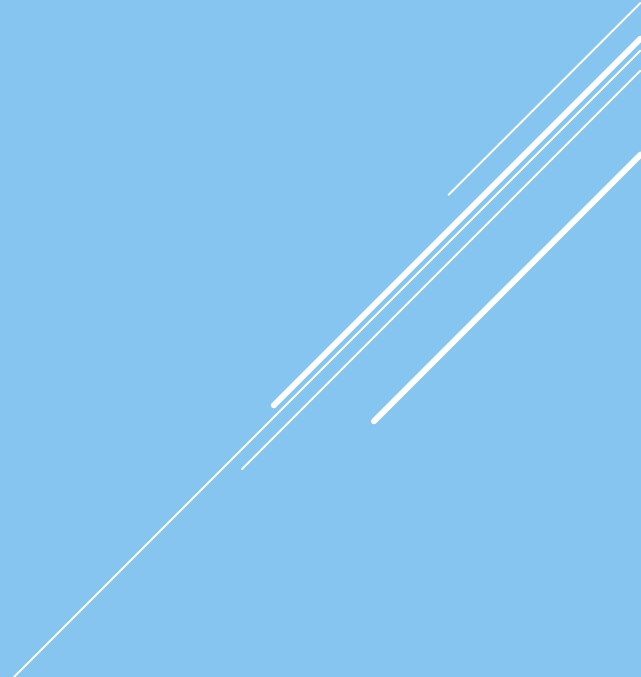
WORKING TOGETHER

- Financial Planners and Wealth Advisors evaluate core wealth needs, understand what's important, and help quantify how much a client needs to support desired lifestyle.
- Planned Giving Professional provides options for charitable giving and outlines how giving translates to direct benefit for the organization.
- Does a gift fit within an overall financial plan?
- How do we combine technical aspects with client's desire for simplicity?

KEY TOOLS

- **Goals & Objectives Questionnaire**
 - **Balance Sheet**
 - **Cash Flow Projections**
 - **Externalities**
 - **Monte Carlo analysis**
 - **Income tax projections; coordination with CPA**
 - **Investment strategy for charitable vehicles**
 - **Client Resource Management (CRM) Systems**
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KEY TRENDS

- Reduced pension and fixed income safety nets
 - Upward pressure on income tax rates
 - Short-term inflation and market volatility
 - Increased reliance on technology
 - Increasing interest rates
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Annual returns and intra-year declines

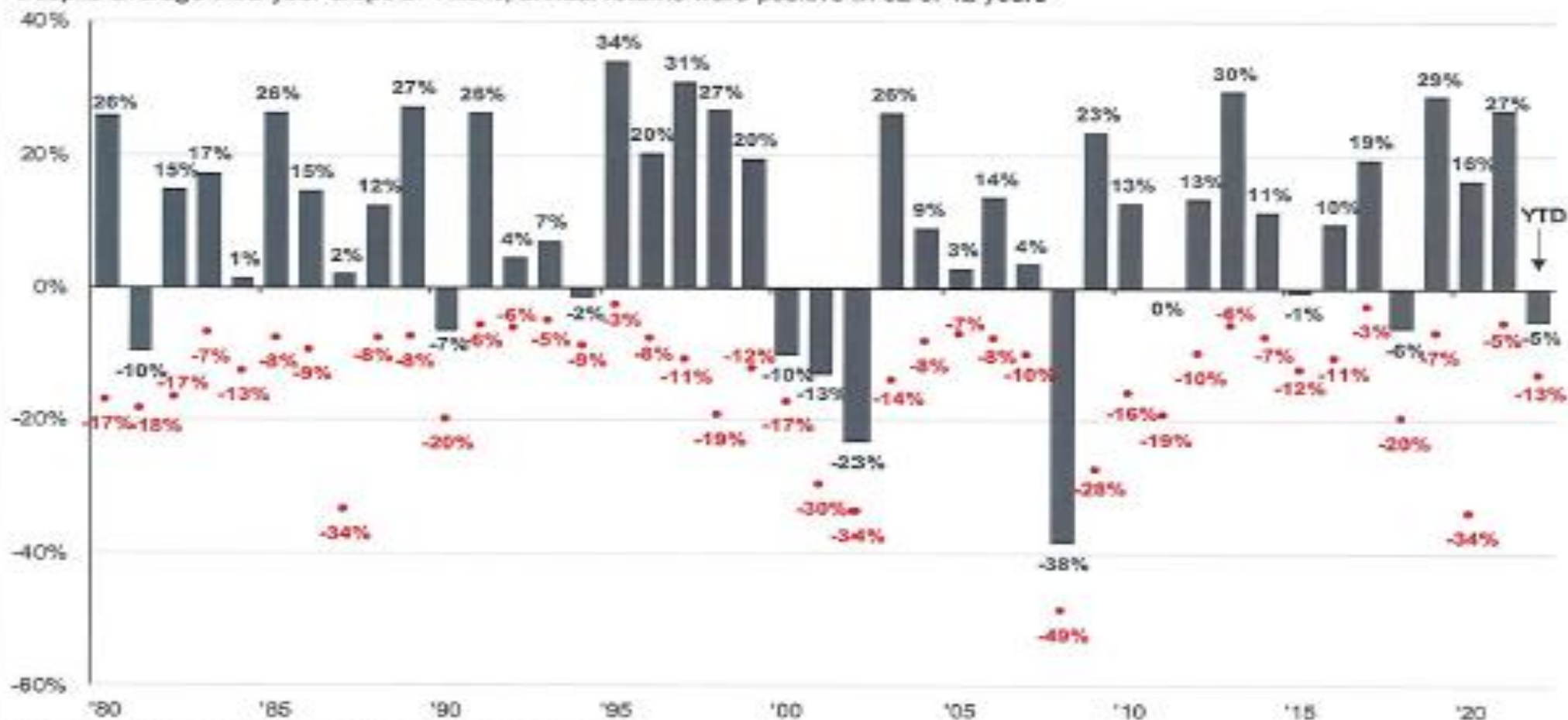
GTM

U.S.

16

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drop from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.


Guide to the Markets - U.S. Data are as of March 31, 2022.

J.P. Morgan
ASSET MANAGEMENT

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COMMON GIVING STRATEGIES

- **Outright Gifts and QCDs**
 - **Donor Advised Funds**
 - **Private Foundation**
 - **Bequests**
 - **Beneficiary Designations – Retirement Accounts/Life Insurance**
 - **Charitable Gift Annuity**
 - **Charitable Remainder Trust**
 - **Charitable Lead Trust**
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GIVE NOW

- **Outright Gifts and QCDs**
 - **Donor Advised Funds**
 - **Private Foundation**
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OUTRIGHT GIFTS AND QCDS

- Cash or appreciated securities
- Stress simplicity; focus may be on gift over tax efficiency
- Qualified Charitable Distributions (QCDs)
 - Gifts made directly from IRA
 - Must be age 70½
 - Check payable directly to charity
 - Max \$100,000 per year

GIVE LATER

- **Bequests**
- **Beneficiary Designations – Retirement Accounts/Life Insurance**

GIVE WITH SOPHISTICATION

- **Charitable Gift Annuity**
- **Charitable Remainder Trust**
- **Charitable Lead Trust**

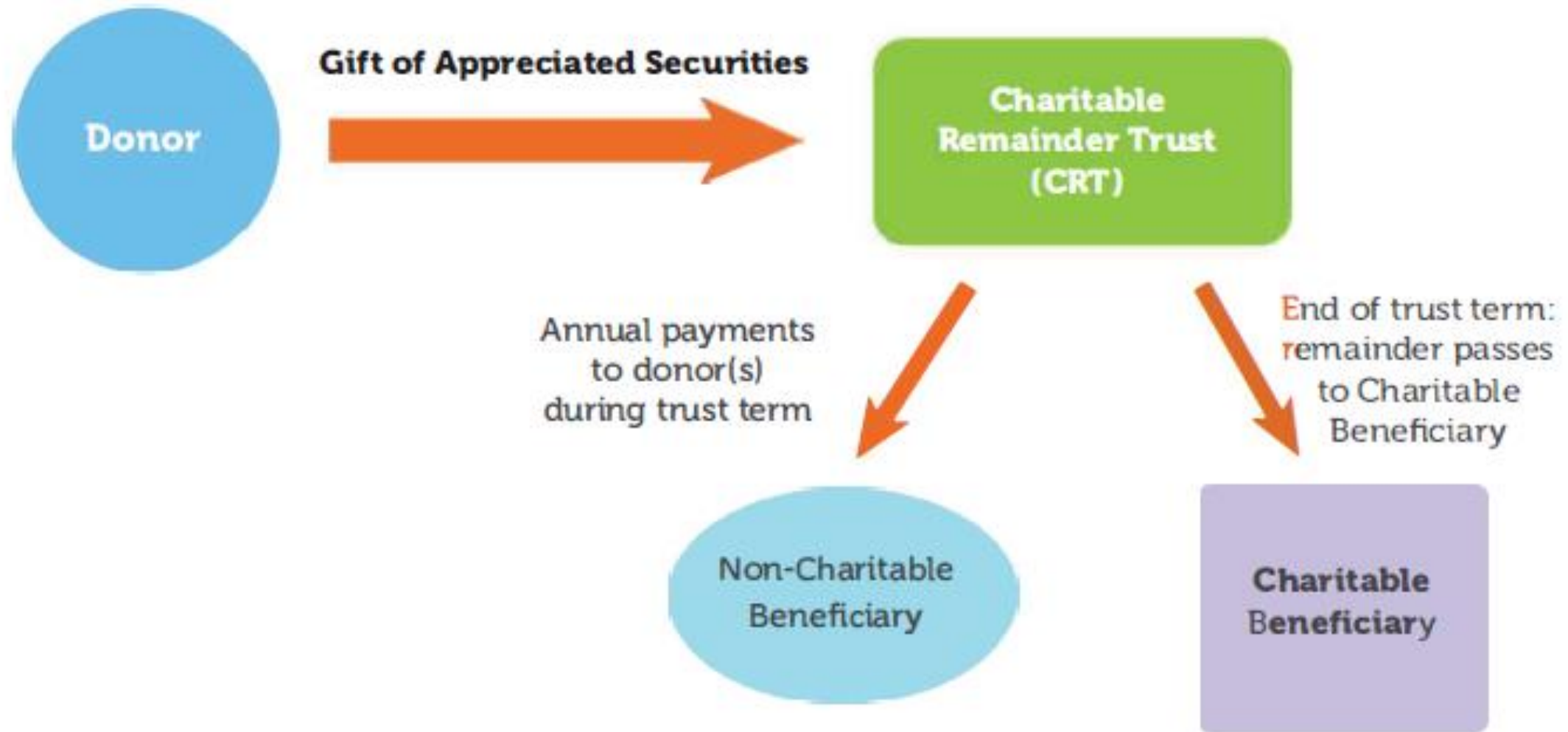
CHARITABLE GIFT ANNUITY

- Irrevocable current gift by which donor would receive tax deduction along with a fixed stream of income payments for life
- Fixed income stream pays beneficiary(s) – maximum 2
- Annuity payments determined by actuarial calculation
- Can be immediate or deferred
- Could transfer the annuity stream to a third party beneficiary and remove from your estate

CHARITABLE REMAINDER TRUST (CRT)

INCOME STREAM AND DIVERSIFICATION

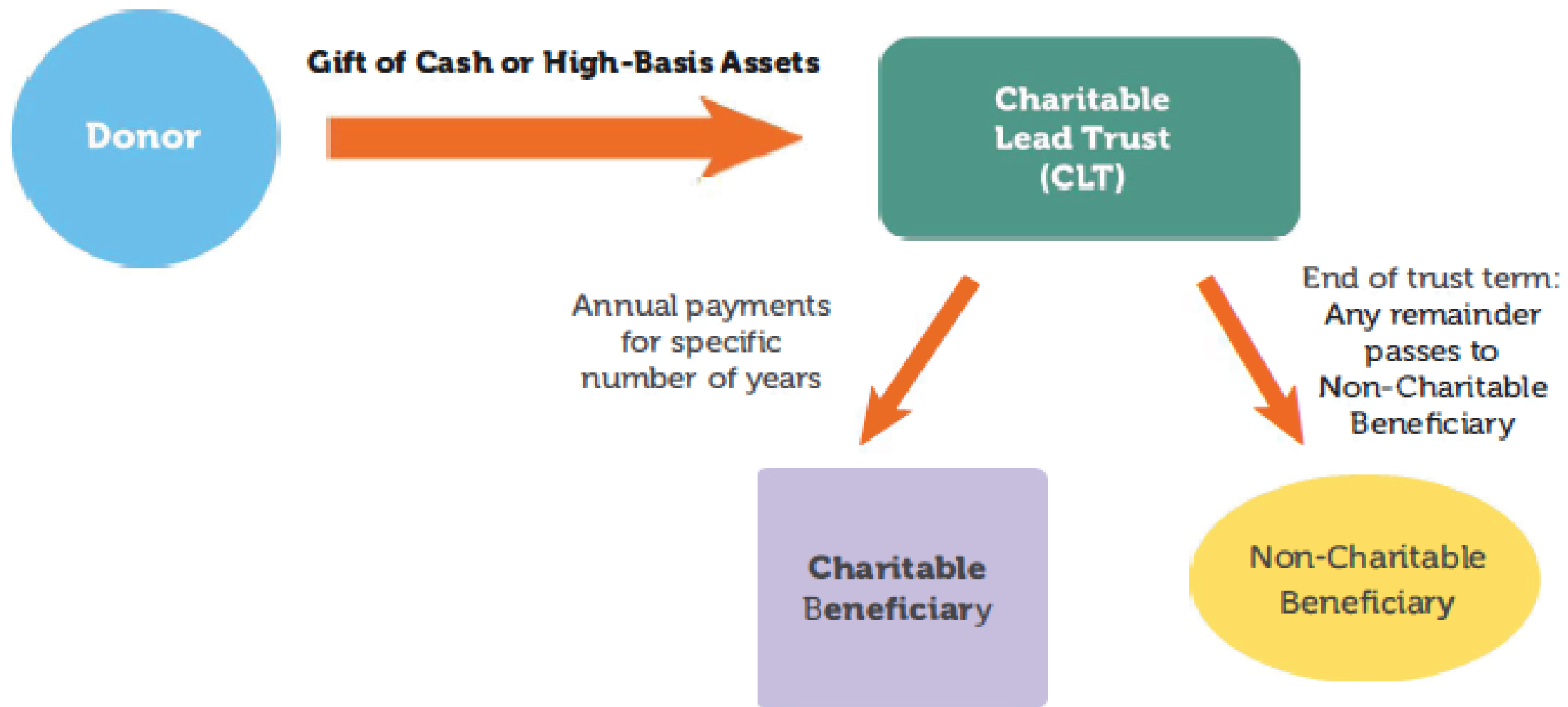
- Donor creates a trust now using cash or appreciated securities
- Trust generates an income stream for the donor (max 20-years)
- Remaining amount goes to charity or “split-interest” between charity and other beneficiaries
- Annuity payments can be fixed dollar amount or fixed percentage
- Tax deduction calculated on actuarial value of charitable remainder – 7520 rate is key
- Trust generally pays no tax; annuity recipient pays tax on distribution



CHARITABLE LEAD TRUST (CLT)

IMMEDIATE SUPPORT AND TAX EFFICIENT GIFTING

- Donor creates a trust now using cash or appreciated securities
- Trust generates an income stream for charity
- Remaining amount goes to named beneficiary
- Annuity payments can be fixed dollar amount or fixed percentage
- Gift or estate tax deduction provided; trust is subject to tax
- If trust “out earns” the annuity, gifts could pass to beneficiaries tax-free



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TAXES AT A GLANCE (INCOME)

TAX RATE INCREASE	Current	Projected	Adjusted
Income	\$500,000	\$500,000	\$500,000
Marginal Rate	37%	42%	42%
Tax	(\$185,000)	(\$210,000)	(\$210,000)
Take Home	\$315,000	\$290,000	\$290,000
Desired Tax Savings	\$50,000	\$56,757	\$61,656
Required Gift	\$135,135	\$135,135	\$146,800
Net Take Home	\$229,865	\$211,622	\$204,856
Effective "Rate"	54.03%	57.68%	59.03%

TAXES AT A GLANCE (ESTATE)

EXEMPTION DECREASE	Current	Adjusted	Projected	Adjusted
Asset Base	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000
Charitable Bequest	\$0	(\$2,000,000)	\$0	(\$2,000,000)
Exemption	(\$12,000,000)	(\$12,000,000)	(\$6,000,000)	(\$6,000,000)
Taxable Estate	\$0	\$0	\$6,000,000	\$4,000,000
Tax Rate	40%	40%	40%	40%
Estate Tax	\$0	\$0	(\$2,400,000)	(\$1,600,000)
Available For Heirs	\$12,000,000	\$10,000,000	\$9,600,000	\$8,400,000
To Charity	\$0	\$0	\$0	\$0
Net To Heirs	\$12,000,000	\$10,000,000	\$9,600,000	\$8,400,000
% Of Total	100%	83%	80%	70%

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PENNSYLVANIA EITC

DONOR ADVISED FUND – “PLEDGE” WORKAROUND

GIFT STACKING

FIRM GIVING DAYS

Q&A – LET'S CHAT!

