

## Philanthropic and Charitable Gifting

### Questions and Concerns:

- There charities that I would like to fund now.
- I would like to make a charitable contribution now but I do not know which one. I want to fund a charity that is yet to be established.
- I am seeking charitable gifting strategies that can provide income with the remaining assets going to charity upon my death.
- I want to transfer income from an asset to a charity while I am alive and pass on that asset to my family upon my death.

Many individuals see meeting community needs through religious organizations, civic non-profits, educational participation, art organizations, health and human support and a myriad of other organizations that help society evolve as a primarily financial responsibility. The passion can exist because of their interest or experiences that define their motivation to act, be it as a leader or to provide financial support. Support can be provided now or in the future. Major philanthropic interest generally occurs when one's financial situation is stable and strong. These individuals have a strong positive cash flow and low or no debt resulting in a strong balance sheet.

### Are there charities that you would like to fund now?

Given that your financial plan is on track and meeting certain goals such as funding retirement and providing for your health care, you are now fortunate to help the community. There are several ways you can support your causes:

*Cash Donations* – This is the most common and appreciated form of support you can give a charitable organization. It is a gift that an organization can put to use immediately.

*Marketable Securities* – Often individuals prefer to gift marketable securities rather than cash contributions to preserve their liquid assets. This is particularly advantageous to gift appreciated stocks. Gifting appreciated securities avoids paying capital gains taxes on the sale of the securities and one can take a tax deduction on the full market value of the donation.

*Property* – Gifts of property such as land, buildings, automobiles, computers, furniture and equipment are based on the fair market value. The non-profit organization must be in a position to accept the property. Many charities must abide by a donation acceptance policy. For example, most charities cannot accept land or buildings unless there is an environment inspection.

*Services* – The value for donated services limits tax deductions to materials and supplies to provide the service. For example, a dentist donating dental services to individuals is limited in the deduction to the supplies used for the procedure. An artist, who donates a painting, is limited in the tax deduction to out-of-pocket expenses such as the paint, canvas and frame needed to produce the work.

*Limitation on Tax Deductions* - The link below provides the most recent IRS publication on charitable contributions and deduction limitations. This important information should be should be reviewed along with your tax advisor.

IRS Publication 526: Charitable Contributions	<a href="http://www.irs.gov/pub/irs-pdf/p526.pdf">http://www.irs.gov/pub/irs-pdf/p526.pdf</a>
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**I would like to make a charitable contribution now but I do not know which one or the one I want to fund or the charity is yet to be established.**

In these situations, a donor advised fund will resolve this issue. These funds allow a donor to make a tax-deductible charitable contribution today and allow the donor to direct the funds to their charitable gift in the future. This can be accomplished through a community foundation or a charitable gift fund.

Community Foundations – A community foundation generally provides donor advised funds. Since there are administrative costs associated with the administration of the fund they can charge an administration fee or they may require that a percentage of the fund remain with the foundation. There is generally a minimum contribution to donor advised funds. The benefit of a community foundation is that they are in tune with the needs of a community and the non-profits that support the community. They are an informational resource. In addition they can act as a fiscal agent for beautification projects, memorials, and public park upgrades. Below are community foundations in New Mexico that may offer donor advised funds, fiscal agent and other pass-through funds:

Albuquerque Community Foundation	<a href="http://www.albuquerquefoundation.org/">http://www.albuquerquefoundation.org/</a>
Carlsbad Community Foundation	(575) 887-1131
Community Foundation of Chavez County	<a href="http://www.chavescf.org/">http://www.chavescf.org/</a>
Community Foundation of Lincoln County	<a href="http://www.cfolc.org/">http://www.cfolc.org/</a>
Community Foundation of Southern New Mexico	<a href="http://www.cfsnm.org/">http://www.cfsnm.org/</a>
New Mexico Community Foundation	<a href="http://www.nmcf.org/">http://www.nmcf.org/</a>
Santa Fe Community Foundation	<a href="https://www.santafecf.org/">https://www.santafecf.org/</a>
Taos Community Foundation	<a href="http://www.taoscf.org/">http://www.taoscf.org/</a>

Institutional Gift Funds – These institutional charitable gift funds are operated by major investment firms. They are a clearinghouse for donor advised funds. These are for individuals who do not need the information resources and look to higher investment performance while funds are being held for future disbursement. Often the institutional gift funds are automated and have sophisticated recordkeeping systems.

**I am seeking charitable gifting strategies that can provide income with the remaining assets going to charity upon my death or providing the charity with income from assets that will go to family members upon my death?**

There are numerous other charitable strategies that individuals can use to provide income, tax deductions, and provide for charity. In addition, some strategies allow individuals to contribute low-cost basis property into a trust to provide income to individuals with the remainder going to charity. Some individuals are looking to establish a foundation that allows the family members to participate in the philanthropic realm. Beyond outright gifts this type of philanthropic planning involves the accountant/tax advisor, the estate planner and sometimes the charitable organization. Below are some of the charitable strategies that are available for individuals:

Charitable Gift Annuity	A person can contribute to an annuity program sponsored by the educational or charitable institution. This will provide income based on IRS annuity tables.
Bargain Sales	A person can sell a highly appraised property (art collection) at a significant discount to an institution such as a museum. The difference would be considered a contribution.
Charitable Remainder Trust (CRT)	A property is transferred to a CRT that may be subsequently sold. The proceeds are used to provide income based on a percentage allowed by the IRS. Upon the death of the donor, the charity will receive the remaining proceeds. Ideally this is low cost-basis property that does not generate income such as raw land.
Charitable Lead Trust (CLT)	Where the donor wishes to donate the income generated on property to a charity and upon the donor’s death, the property will revert to another, possibly a family member. Generally, the donor is in the top income tax bracket and the income accumulated creates an estate tax problem.
Private or Family Foundation	A person creates a family foundation to provide for charitable causes. To qualify for the tax deduction the foundation must meet certain requirements.

**Conclusion**

There are many ways a person can give back to the community/society. Congress provides tax incentives to individuals giving to charity. There are certain restrictions that must be reviewed along with your tax advisor.

**How can a financial planner help in philanthropic and charitable giving?**

A financial planner will help the client understand their capacity to give. They will also point out opportunities that allow the client to provide for themselves as well as the charity. For many, the planner, accountant and estate planner will give the client the confidence to make gifts while they are alive by providing the financial confidence to make the charitable contribution. These professionals will work with the non-profit organizations to coordinate the various charitable strategies.



**DISCLAIMER**

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