An Introduction to Planned Giving

St. John’s Episcopal Church

Wake Forest

July 2026

Nerre Shuriah

Property to donate

Internal

Outright gift of cash or check

A cash gift by check is one of the most common and easiest methods for making an outright charitable contribution.

- If you itemize income tax deductions on your tax return, the first tangible benefit of making a gift by cash or check is the tax deduction for the full value of your gift.
- The second benefit is seeing the immediate results of your generosity. When you make a cash gift, you are demonstrating a strong commitment to help support a charitable organization's mission and contributing to its success.
- Charitable deductions for cash gifts to public charities are limited to 60% of your annual adjusted gross income if you give all cash (if you give any combination of assets other than all cash you are limited to a 50% percent deduction).

  Any unused deduction can be carried over to reduce future income tax liability and used for up to five additional years, giving you six full years to use the deduction

Benefits

- Receive a current income tax deduction.
- Reduce your potential estate taxes in the future.
- Determine the exact amount of your desired support.
- Experience the joy of giving today.

Personal property and securities

Any type of asset you irrevocably donate to a charitable organization results in a current income tax deduction, but there may be other tax benefits from your contribution.

- Any capital gain tax is avoided on gifts of appreciated property held more than one year when/if that asset is sold by the charity.
- You can also give tangible personal property (like an art object, prized collection or antique) and take a deduction for its full fair market value if the gift is used for an organization's exempt function.*

  If the property is not used for the organizations exempt function or the organization sells the property, then you are generally limited to a deduction of your tax basis.

Benefits:

- Receive a current income tax deduction for gifts of securities.
- Provide relief from capital gains tax with gifts of securities.
- Make meaningful gifts with donations of personal property.
- Help fulfill an organization's mission with your contributions.

Example:

Dave has stocks currently valued at $20,000 that he purchased for $4,000 several years ago, which will result in a $16,000 capital gain if he sells the securities. He is in a 24% percent marginal income tax bracket and a 15% capital gain tax bracket. Dave decides to donate the stock to his favorite charitable organization instead of selling it. By doing this, Dave receives an income tax charitable deduction for the full fair market value of $20,000 and eliminates any capital gains tax. If he were to recognize that gain, he would pay $3,000 in capital gain tax.

Life insurance

The reasons for obtaining a life insurance policy may change or disappear over time. Gifting the policy to charity may be an option for those who still have a policy but don't need the coverage.

- If ownership of a policy is transferred to a charity, the grantor will normally receive an income tax deduction for the policy's fair market value or cost basis, if lower, on the date of the gift.
- If you name a charity as beneficiary of the policy (and retain ownership), you won't be eligible for current tax benefits because the gift is revocable at any time.
- Your estate will not pay estate taxes on the policy proceeds the organization receives.

Benefits:

Name an organization as owner

- Receive a charitable income tax deduction by naming an organization as beneficiary and assigning it ownership.
- Receive a future income tax deduction by naming an organization as owner and continue paying premiums.

Name an organization as beneficiary

- Obtain flexibility by naming an organization as primary beneficiary but keep ownership.
- Name an organization as contingent beneficiary and secure your family's needs first.

3 Options:

1. A recently issued policy
2. An existing policy in premium-paying mode
3. A paid-up life insurance policy

Real estate

If real estate has been owned for longer than one year, it could be a good asset to donate to charity. The amount of deduction depends upon the type of charitable beneficiary.

- Donating real estate will allow the grantor a charitable income tax deduction for the fair market value of the property if held greater than one year. This avoids capital gain tax on the appreciation.
- Real estate donations need a qualified appraisal within 60 days, and file IRS Form 8283. Deductions are limited to 30% of AGI, with five-year carryforward.

Limitations:

- If the property is held less than one year, the deduction is the lesser of fair market value or cost basis.
- Deductions are reduced by the debt if the property is mortgaged. Debt could also trigger bargain sale rules, causing taxable gain.
- Name a 501(c)(3) organization as the beneficiary. DAFs typically sell the property right away and invest the proceeds. If donating to a private foundation, the deduction is limited to lesser of fmv or basis.

Example:

Joan wants to donate her farm to a charity. However, Joan wants to continue to live on the farm for the remainder of her life. She can deed a remainder interest in her home to a charity now, while retaining the right to continue to inhabit it (rent-free) for the rest of her life. Once deeded, the gift is irrevocable. She would get a charitable income tax deduction based on the future value of the charity's interest in the farm (calculated using life expectancy tables based on her age). During her life, she is still responsible for all the property taxes, maintenance, utilities, and insurance expenses. Once Joan passes away, the property transfers directly to charity and is not included in her estate.

*Must be at least 70 ½ years old; limited to $111K annually and indexed for inflation, and only to public charities (generally no DAFs, CRTs, CGAs with some limitations)

Retirement plan assets

Over a third of your traditional retirement plan assets can be consumed by taxes when given to your family. To eliminate taxation of these assets, many people use their retirement plan assets to make gifts to tax-exempt charitable organizations and leave less heavily taxed assets to family.

- To name a charitable organization as the beneficiary, first consult your tax advisor, then instruct the plan administrator or custodian of your decision and complete the required documentation.
- You may also use a tool called a Qualified Charitable Distribution. This allows you to make a lifetime gift from your IRA to a charity.*

Benefits:

- Eliminate all federal income and estate taxes by naming an organization as the primary beneficiary.
- Receive partial savings when giving an organization a specific amount before transferring the remainder to your family.
- Name an organization as the contingent beneficiary, allowing greater flexibility.
- Make the most cost-effective gift possible, saving less-taxed assets for loved ones.

Example:

Bill wants to provide for his children, but he also wishes to leave a charitable gift. Bill decides to pass on income tax–free inheritances such as real estate, cash and life insurance to his heirs (due to the step-up in basis) and give his income taxable retirement plan assets to his favorite charitable organization. The assets in his account will pass to the charitable organization free of any income tax obligation. In addition, Bill's gift qualifies for an estate tax charitable deduction. Most important, Bill can change his mind at any time about the gift.

*Must be at least 70 ½ years old; limited to $111K annually and indexed for inflation, and only to public charities (generally no DAFs, CRTs, CGAs with some limitations)

Qualified charitable distribution (QCD)

Must be at least 70½ and limited to $111K annually (adjusted for inflation). One-time $50K gift to CRT or CGA allowed (adjusted for inflation).

Traditional IRA withdrawal

Withdraw money from IRA

↓

Money sent to charity

↓

Amount withdrawn from IRA taxed as ordinary income

↓

Charitable Deduction for amount sent to charity

Qualified charitable distribution

Distribution from IRA directly to charity

→

Amount not taxed as income
Not counted in AGI
No deduction received.

Benefits

- Eliminate all federal income taxes related to the QCD
- Income not included in AGI calculation (impacts other aspects of income taxes and Medicare cost)
- Direct impact to charity
- Satisfies RMD is participant is 73 years or older

Eligible accounts:

- Traditional IRA, rollover IRA, inherited IRA and inactive SEP or Simple IRAs
- Public charity only, cannot give to DAF or private foundations

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Tax consequences

Charitable Income Tax Deduction Benefits/Limits	
Non-itemizers	• taxpayers who claim the standard deduction can deduct charitable contributions up to $1,000 for individuals and $2,000 for married couples filing jointly
Itemizers	• Taxpayers who itemize must now exceed a threshold of 0.5% of their adjusted gross income, or AGI, before their charitable contributions become tax deductible • Taxpayers may deduct cash gifts to qualified charitable organizations up to 60% of their AGI • The charitable tax benefit is capped at 35% for donors in the top income tax bracket. For example, a donor in the 37% bracket who donates $10,000 will now receive a $3,500 deduction instead of $3,700.
Corporations	• Corporations are also subject to a new floor and ceiling with regard to charitable donations. Aggregate donations must exceed 1% of taxable income to be deductible and cannot exceed 10%. • The carry-forward rules for excess contributions - allowing for unused deductions (amounts making up the disallowed floor as well as the amounts exceeding the ceiling) to be carried forward for up to 5 years.
Public Charity	• Cash is deductible for 100% of amount of contribution up to 60% of AGI • Long Term Capital Gain (LTCG) property is deductible at fair market value up to 30% of AGI • 5-year carry forward for any unused deduction
Private Foundation	• Cash is deductible for 100% of amount of contribution up to 30% of AGI • Long Term Capital Gain property is deductible at cost basis up to 20% of AGI • Required 5% annual distribution from private foundation

Case Study - Corporate Donation by Scott's Sport Equipment, Inc.

Scott's Sports Equipment, Inc. makes a charitable donation to the Town Little League of $250,000. Scott's Sports has taxable income of $2 million. Scott's Sports donations must exceed $20,000 (10% of $2 million) to surpass the 1% floor. Their deductions are capped at $200,000 (10% of $2 million). So, Scott's Sports's charitable deduction is limited to between $20,000 and $200,000. Scott's Sports is able to deduct $180,000 (the amount above the floor but not exceeding the cap). The company can carry forward the $20,000 previously excluded amount below the floor, plus $50,000 (the amount that exceeded the cap) for a total of $70,000 to be deducted over the next 5 years, only if Scott's Sports contributions in the future year exceed the 1% floor and are under the 10% ceiling in order to add in the carried amount.

If next year, Scott's Sports taxable income remains the same and it makes no additional charitable contributions, it can utilize the carried amount of $70,000 for a charitable deduction of $50,000 (less the $20,000 floor, and it did not exceed $200,000). If Scott's Sports does not make any charitable contributions in the third year but had the same taxable income, the $20,000 is permanently excluded because it didn't surpass the 1% floor. If Scott's Sports taxable income drops to $1 million, then $10,000 of that carryforward amount would be deductible (the floor reduced to 1% of $1 million or $10,000).

Comparison chart

		Impact on Chartable Organization		*Tax Benefits*			
	Pays You Income	**Immediate Impact**	**Impact After Your Lifetime**	**Immediate Income Tax Benefits**	**Future Income Tax Benefits**	**Capital Gains Tax Benefits**	**Additional Benefits**
Outright Gift of Cash		✓		✓			Support an organization in the easiest way.
Outright Gift of Securities		✓		✓		✓	Provide an immediate benefit to an organization.
Outright Gift of Personal Property		✓		✓		✓	Make a significant gift today without adversely affecting your cash flow.
Gift of Life Insurance		✓		✓	✓		Make a larger gift than you thought possible.
Gift of Real Estate		✓		✓		✓	Improve your cash flow by not having to pay real estate taxes, maintenance and insurance.
Charitable Lead Trust		✓					Support an organization now and provide for your loved ones in the future.
Gift in Will or Trust			✓				Make a flexible gift.
Gift of Retainment Plan Assets			✓				Allow less heavily taxed assets to be passed to loved ones.
Retained Life Estate			✓	✓			Have lifetime use of residence.
Charitable Remainder Trust	✓		✓	✓		✓	Use appreciated assets to maximize your tax benefits.
Charitable Gift Annuity	✓		✓	✓	✓	✓	Receive fixed payments for life.

Giving Strategies

Internal

Donor Advised Funds

This type of fund is a good vehicle for donors who wish to participate actively in the grant-making process and retain philanthropic flexibility.

- An account is opened at a sponsoring organization (Community Foundation or Financial Institution that has a DAF offering)
- You receive a charitable deduction for the full amount of the gift establishing the fund in the year of contribution.
- You may name yourself as an advisor either to act alone or with other individuals.
- Distributions from the DAF are usually made over time rather than in a lump sum by you or the other individuals named as advisors on the account.

Benefits:

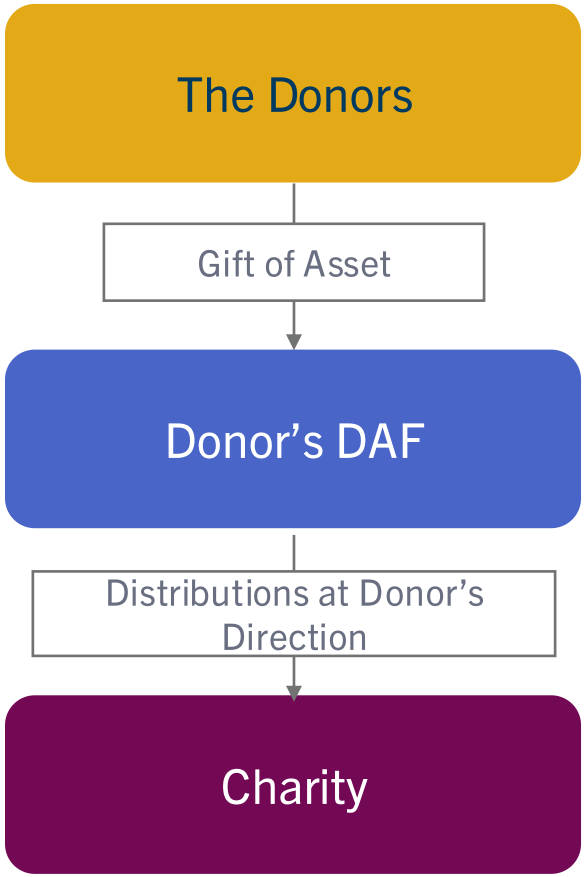
- Links a legacy of good work with your family name.
- Allows you (and your successor) to exert continued control over the timing and amount of the gift.
- Set up costs are small, and can be established with a much smaller endowment than a foundation.
- Can be referred to as a "Family Foundation" when making gifts to charity.

Donor Advised Fund

An alternative to establishing your own private foundation, reduces administrative burden, but allows a tax-deductible gift with continued grantor control

Steps:

1. The grantor signs a contract to set up a Donor Advised Fund
2. The fund is created by an agreement with a tax-exempt entity (Community Foundation) and an investment company (FCB)
3. The grantor makes a gift of an asset to the fund and receives an income tax charitable deduction
4. The grantor advises the investment strategist when to make distribution, to which charity and the amount
5. The successor donor carries on the advise to the investment strategist after the donor



Charitable Remainder Trust

If you are disappointed in the yield from your current investments in the stock and bond markets, yet you want to eliminate the capital gains tax should you sell, consider a charitable remainder annuity trust.

With this type of gift, you, and/or another beneficiary if you choose, receive an income stream each year for life or for a period of up to 20 years from assets you place in a trust. At the end of the trust term, the balance in the trust is transferred to the organization of your choice, enabling countless others to reap future benefits from your generous gift.

Benefits:

- Receive an income stream paid annually, semiannually, quarterly or monthly.
- Obtain a partial charitable deduction.
- Increase income from a low-yield asset.
- Gain freedom from investment management.
- Eliminate up-front capital gains tax on long-term appreciated assets used to fund the trust.

Example:

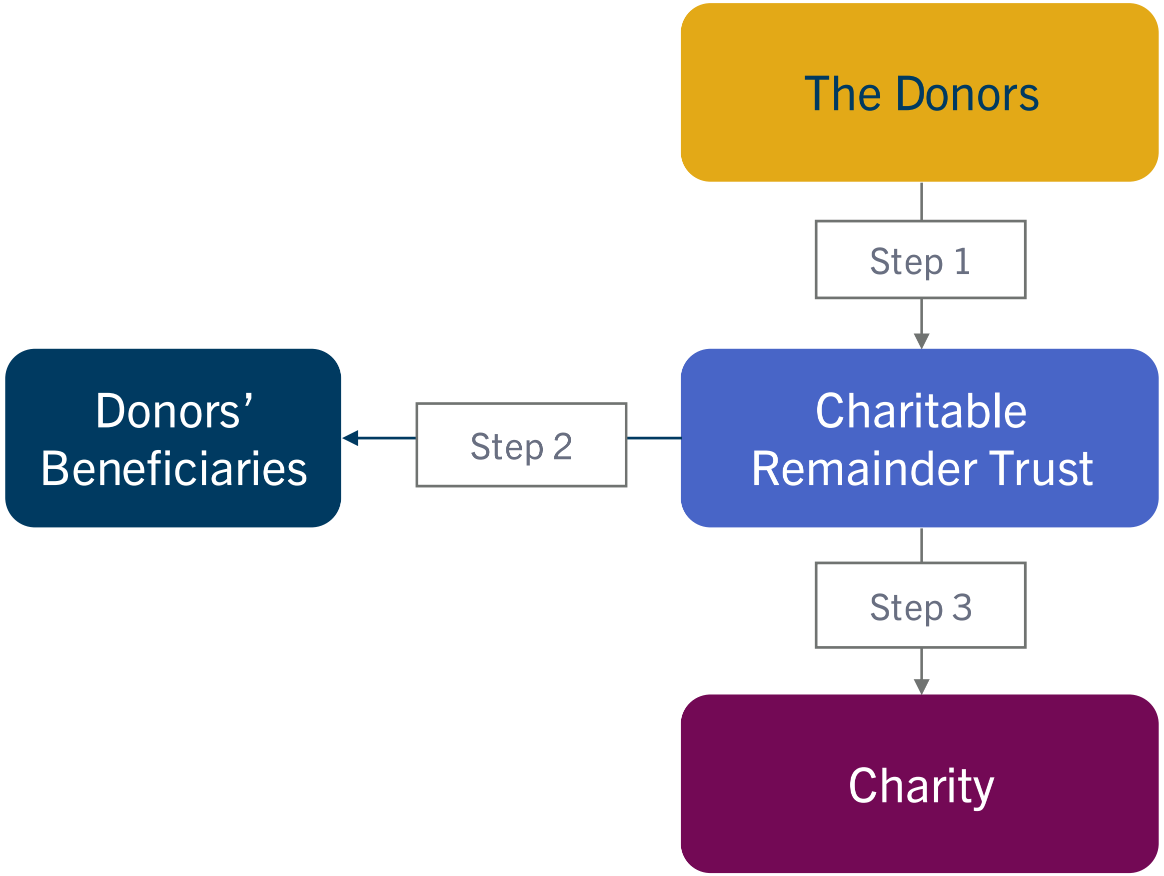
Joan, 80, depends on income from her portfolio of securities. Lately, the current yield of her holdings has averaged only 2 percent (about $3,000). Joan decides to establish a charitable remainder annuity trust, funding it with appreciated stocks worth $150,000 that had originally cost her $100,000. The trust pays Joan 6 percent, or $9,000, each year. She is also entitled to a charitable deduction of $84,851 (based on annual payments and 2.4 percent charitable midterm federal rate) she can carry over for up to five additional years. The trust can sell the stock without incurring any capital gains tax and, after her lifetime, the trust's balance will go to her favorite charitable organization.

Charitable Remainder Trust

An irrevocable trust that splits beneficial ownership between a current non-charitable interest and a remainder interest that passes to a charitable beneficiary.

Steps:

1. The Donors make a gift to the trust. Note that the Donors receive an income tax charitable deduction in the year the trust is created that is equal to the present value of the remainder interest in the trust.
2. Lifetime income beneficiaries receive income payments each year for the term of the trust.
3. At the end of the trust term, the trustee distributes the remaining assets to **charities** selected by the Donors.



Charitable Lead Trust

Are you concerned about the possibility of taxes taking a substantial portion of the assets you were planning to leave your heirs?

There is a strategy to pass assets to your family with significant estate tax savings while making a gift to a charitable organization. It is called a charitable lead trust.

After an organization receives income from assets in the trust for a period of years, the principal goes to your selected loved ones, with estate or gift taxes usually reduced or even eliminated.

The lead trust is an exceptional way to transfer property to your children or other heirs at minimal tax cost. It is ideal if you are willing to forgo investment income on an asset but do not want to have estate taxes reduce the principal passed to heirs.

Benefits

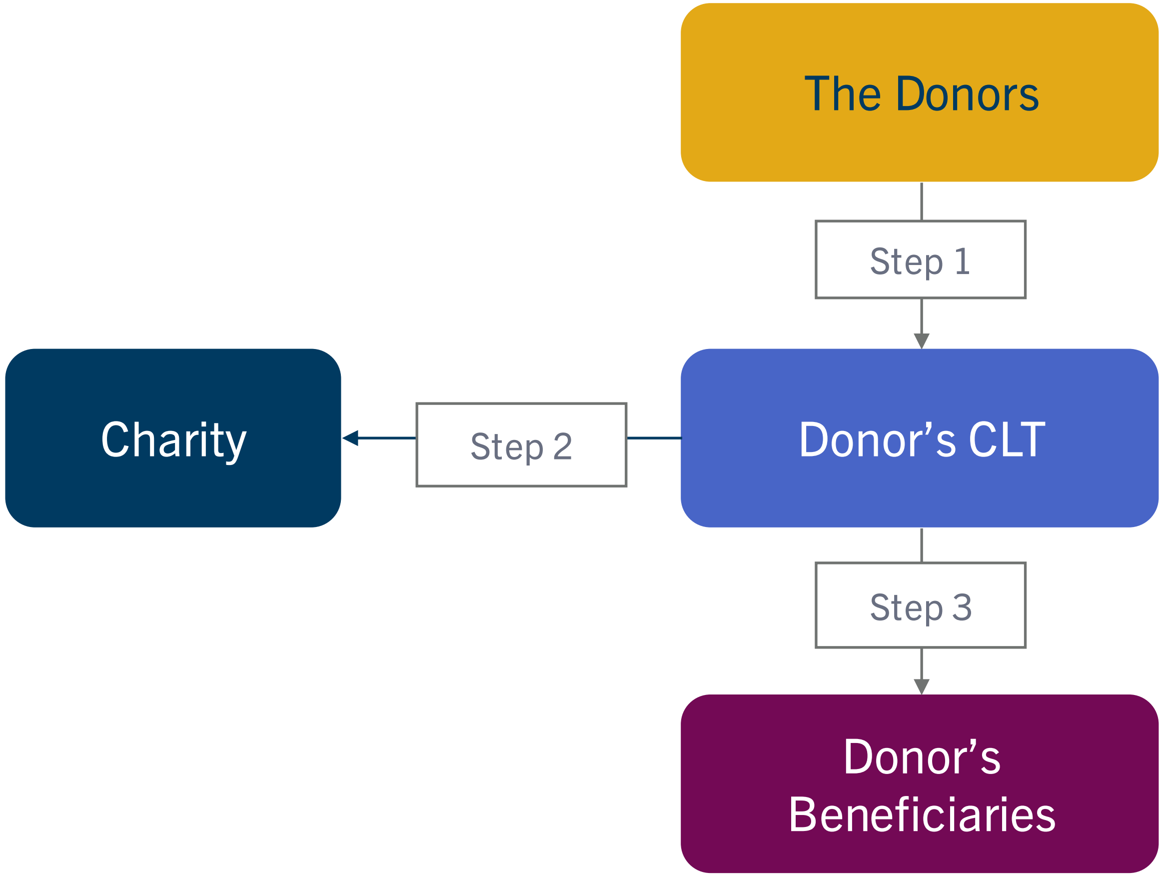
- Fund the trust during your lifetime or through your will.
- Support a charitable organization's mission through annual income payouts.
- Reduce your taxable estate and potential gift taxes.
- Keep assets in the family.

Charitable Lead Trust

An irrevocable trust that splits beneficial ownership between a current charitable interest and a remainder interest that passes to a non-charitable beneficiary.

Steps:

1. The Donors make a gift to the trust. Note that the Donors may receive an income tax charitable deduction in the year the trust is created that is equal to the present value of the income interest. Tax deductibility is determined by grantor or non-grantor status.
2. Charitable income beneficiaries receive income payments each year for the term of the trust.
3. At the end of the trust term, the trustee distributes the remaining assets to **remainder beneficiaries** selected by the Donors.



Charitable Gift Annuity

Do you need a consistent income stream, but also want to give back to the causes you care about?

The concept of a gift annuity is simple. You donate assets that a charitable organization invests. The organization agrees to make fixed payments to you for life (and, if desired, for another beneficiary's lifetime). At the end of the agreement, the funds are available for the organization to use.

Benefits:

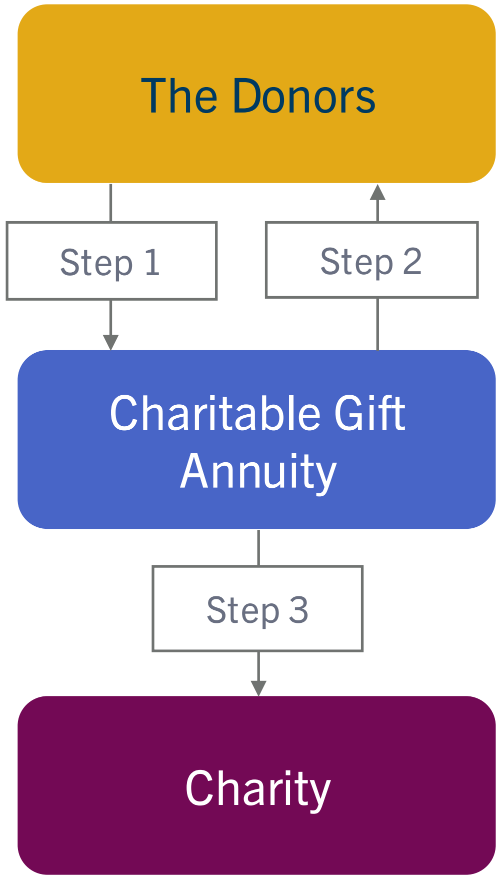
- Receive lifetime payments for yourself and possibly another person.
- Obtain a charitable deduction for a portion of the value of the gift.
- Secure partially income tax–free payments.
- Save on capital gains taxes when you contribute appreciated securities

Charitable Gift Annuity

Creates a contract between the grantor and the charity. In exchange for the gift, the charity guarantees payment of the annuity amount.

Steps:

1. The Donor makes a gift to a charity. Note that the Donors may receive an income tax charitable deduction in the year the CGA is created that is equal to the “gift element,” which is the value of the property in excess of the present value of the annuity payments.
2. Charity agrees to pay the Donor an annuity stream for the life of the donor or donors.
3. At the end of the CGA term the charity receives any remaining assets.



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