

## Get Something in Return

**Americans give freely to support the causes they value, from churches, education, and the arts to medical research. Charitable giving in the United States has climbed to nearly \$250 billion a year, and 70 to 80 percent of Americans contribute annually to at least one charitable organization.<sup>1</sup>**



We make a living by what we get.  
We make a life by what we give.  
– Sir Winston Churchill

Fortunately, current tax laws encourage and even reward philanthropy beyond your basic tax deduction. It's possible that one or both of the following types of trusts could provide meaningful financial advantages, in addition to the personal satisfaction that comes from giving.

### **Charitable Remainder Trusts**

When money, securities, property, or other assets are placed in a properly structured charitable remainder trust, the donor or a beneficiary receives income for a specific term or for life. When the trust expires, the designated charity receives the assets that remain.

For the donor, there are several potential tax benefits. Assets placed in the trust may be partially deductible for income tax purposes. At death, trust assets are not subject to estate taxes because they are no longer part of the donor's taxable estate. Finally, any appreciated assets in the trust are also exempt from current capital gains tax.

### **Charitable Lead Trusts**

A charitable lead trust is an estate conservation tool that uses your assets to provide income for a charity during your lifetime, and then transfers the remaining assets to your heirs when you die. This could potentially reduce the estate tax due on the assets in the trust, most notably on highly appreciated assets, because they are not subject to current capital gains tax.

Keep in mind that donations to both types of charitable trusts are irrevocable; therefore, the assets cannot be withdrawn once the trusts are formed. Also bear in mind that not all charitable organizations are able to use all possible gifts. It is prudent to check first. The type of

organization you select can also affect the tax benefits you receive. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax advisors before implementing such strategies.

When structured properly, these tools could possibly be used to benefit the charities of your choice and reduce your tax obligations at the same time.

**From:** David Waters

**Phone:** 215.875.8790

1) American Association of Fundraising Counsel, 2005