Buhl Park Planned Giving

BUHL PARK
OUR LIVING LEGACY

FREQUENTLY ASKED QUESTIONS

GIVING ACCORDING TO YOUR ABILITY

The purpose of the following is to provide general information in response to questions you may have or may receive from potential donors. It is not intended to provide specific advice or recommendations for any individual. We suggest that donors consult with their attorney, accountant or tax advisor with regard to their personal situation. Information is provided by Buhl Park.

Do I need a will?

Most likely. Without a will, the laws of the state will determine who will receive your assets and who will manage your estate. As a result, the state may not include all of the persons or charities that you would like to benefit. A will allows you to appoint a guardian for your minor children, choose a representative to carry out your wishes, and determine the final destination of your estate assets.

Making a charitable bequest (i.e., giving assets to charity through a will or living trust) is the simplest way to make a planned gift. The donor states in his or her will the amount or percentage of assets that are to pass to a designated charity. The donor receives an estate tax deduction for the amount of the bequest. There is no limit on the amount that can be deducted for estate tax purposes.

Some may wish to designate their church or favorite charity as the “residual beneficiary” of their estate. After they have designated certain amounts to children, friends and charities, they may wish to name a charity as the residual beneficiary to receive the balance of their estate after all other distributions have been made.

What are the benefits of making a charitable gift through my will?

Charitable bequests (i.e., assets given through a will) provide substantial tax benefits and may be the most appropriate charitable giving technique for a person who is charitably inclined and yet wants to retain control of the assets during his or her lifetime. A donor who makes a bequest to a charity will be entitled to a charitable estate tax deduction for the value of the charity's interest, effectively removing the value of the gifted asset from the donor's estate.
Charitable bequests may be made in a variety of ways. The simplest way is to make an outright bequest of an entire asset. In return, the donor's estate will get a deduction for the fair market value of the asset on the date of death. However, a donor may also make a bequest of a partial interest in an asset (such as a gift to a charitable remainder trust). The donor's estate will receive a deduction for the present value of the charity's interest in the asset. No matter which technique is used, the tax advantages to the donor can be significant.

Can I leave a significant gift to charity while not depleting my children's inheritance?

Yes, through the use of "wealth replacement" life insurance. Using this technique, a donor transfers assets to charity. In return, the donor will be entitled to a charitable income tax deduction and, depending on the gift, may receive an annual income stream in return. These tax savings and/or income payments may be used to pay the premium payments on a life insurance contract with a face value equaling the value of the gifted asset. If an irrevocable life insurance trust or adult children hold the life insurance contract, the value of the contract will be excluded from the donor's estate. Upon the death of the donor, the beneficiaries of the contract will receive the death benefit income tax- and estate-tax free. It is a win-win-win situation for the donor, the charity and the donor's family.

How can I make a large one-time gift to my organization without disrupting others' interest in annual campaigns?

A large, lump-sum donation can interrupt the flow of donations to annual drives and capital campaigns. As an alternative to making a large, outright gift, one may consider making a contribution to an endowment fund. An endowment fund is set up by a charitable organization to receive gifts from multiple donors. Distributions from the fund are taken in a manner to make sure that the fund grows and is available to support the organization's mission in the present and the future. When the endowment distributions are used in support of a specific mission of the organization, as opposed to solely supporting the operating fund, annual stewardship is typically not affected. A gift to an endowment fund qualifies for a current income tax deduction and for a gift or estate tax deduction based on the fair market value of the gift.

What are the benefits to leaving my qualified retirement plan assets to charity?

Here's one example: If you leave your qualified-plan balance to someone other than your surviving spouse or charity, it could be subject to extreme income and estate taxation. The amount of tax depends on the size of your plan and the marginal income tax bracket of the beneficiary. The reason for this excessive taxation is that Congress intended the plans for retirement, not inheritance.
Many people find that they do not need the retirement income that these plans provide, so they let their plans continue to grow tax-deferred. If you have planned to leave your qualified assets (and nonqualified tax- deferred assets such as nonqualified annuities) to children or others, you may want to examine the potential tax implications. One alternative could be to name a charity as beneficiary of the assets, thereby avoiding all income and estate taxation and providing a benefit to your community.

What is planned giving?

"Planned giving" means mapping out a plan for making gifts to charity. A person may integrate planned giving into his or her financial strategies during different phases of life. Many individuals consider planned giving when they decide how to transfer their estates to the institutions and people whom they want to benefit from a lifetime of hard work. In addition to fulfilling their charitable goals, donors may receive tax benefits and lifetime incomes through several types of tax-favored plans. Planned giving takes many forms and is tailored to meet the needs and goals of the donor.

How can life insurance be used to make charitable gifts?

Charitable gifts of life insurance provide an easy way for the donor to make charitable contributions with minimal current costs. In many instances, a gift of life insurance involves a small out-of-pocket premium each year, yet produces a significant benefit to a charity.

Is it possible to give something to charity and still receive income for life?

Yes. There are a couple of ways to receive a lifetime income stream from a gift to charity. One way is through the use of a charitable remainder trust (CRT). It works like this:

- An asset is put into a special trust called a charitable remainder trust that is regulated by federal law, and is invested.
- The donor receives an income tax deduction for part of the value of the gift and income from the trust for his or her lifetime or for a term of years.
- After the donor passes away, the money remaining in the trust is distributed to charity. This is an irrevocable gift.

What are the advantages to making a charitable gift during my lifetime?

A donor who is going to make a gift to charity must decide whether to make the gift while living or at death. Making a charitable gift while living provides several benefits over making a gift at death, including:

- A charitable income tax deduction.
- The removal of future appreciation on the asset from the donor's estate.
- The option of receiving an annual income stream each year in return
- The opportunity for the donor to see his or her gift being put to good use.
- In addition, making a lifetime gift, just as with a gift made at death, removes the value of the gifted asset from the donor's estate, reducing any associated estate tax liability.

Can I receive a charitable income tax deduction for making a gift of securities?

Yes. In fact, if your securities (stocks or bond funds) have appreciated since you first bought them and if you have owned them more than a year, you can gift them to charity at a significant discount to you.

What is a charitable gift annuity?

A charitable gift annuity is a private contractual agreement between a donor and a qualified charity that meets the requirements of the state of the donor's residence. The donor makes a gift of cash or other property to the charity. In return, the donor, and/or another designated individual, receives a fixed income annually from the charity for the lifetime of the annuitant.

A donor who makes this type of gift will receive a charitable income tax deduction for the value of the charity's interest, as long as he or she itemizes deductions on his or her income tax return.