

# Can we help Charitable Giving



Charitable giving is a great way to support the causes you care about while potentially reducing your tax burden. The tax aspects of charitable giving can be quite complex, so if you are planning a charitable giving strategy it is always a good idea to consult your tax professional. That being said here are a few basics; who said that you can't give and receive?

**Yes!**  
we can...

## Help you support your causes while potentially reducing your tax burden

### Types of Gifts

There are two basic types of gifts, lifetime gifts and charitable bequests at death.

#### Charitable Giving Tips and Tricks

Itemize deductions on your tax return for year you plan to deduct charitable donation

Always request a receipt. Gifts over \$250.00 or more and cash gifts require receipts for corroboration.

Get an independent appraisal for property valued over \$5,000.00 and closely held stock over \$10,000.00. Not needed for exchange traded stocks, bonds, or mutual funds.

Subtract the value of any benefits you receive from the charity from the amount you donated before you deduct it.

**Lifetime Gifts** can have double benefits, this means that the gift has the potential to both provide a tax deduction for the full market value of the gift as well as avoiding capital gains tax on property. This double benefit maneuver is most often achieved when the taxpayer contributes appreciated long term capital gain property, however there are some rules that need to be followed achieve the double benefit. The downside to Lifetime Gifts is that the taxpayer must have the property to give during their lifetime.

**Charitable Bequests at Death** can have all sorts of rules because of the different types of property that can be bequeathed at death as well as the method it was bequeathed. One of the most beneficial is a gift of retirement plan assets. Individual Retirement Accounts (IRAs) produce taxable income to beneficiaries, however when IRAs are transferred to qualified charities who are tax exempt. Usually when this strategy is used non-taxable money is transferred to the decedent's heirs

### Types of Property

There are four basic types of property given. The tax treatment of property greatly depends who the recipient is (a qualified charity?), the structure of the gift, and the form of gift, so consult your tax professional.

**Cash** is a simple and easy way to make a deductible donation to a qualified charity, remember to get a receipt.

**Tangible Personal Property** includes clothing, furniture, vehicles, and household goods. Clothing and household items typically are required to be in good used condition. The property must be used for the charity's mission to deduct the full market value, if no you may deduct the amount you paid for it or the property's reasonable value, whichever is less.

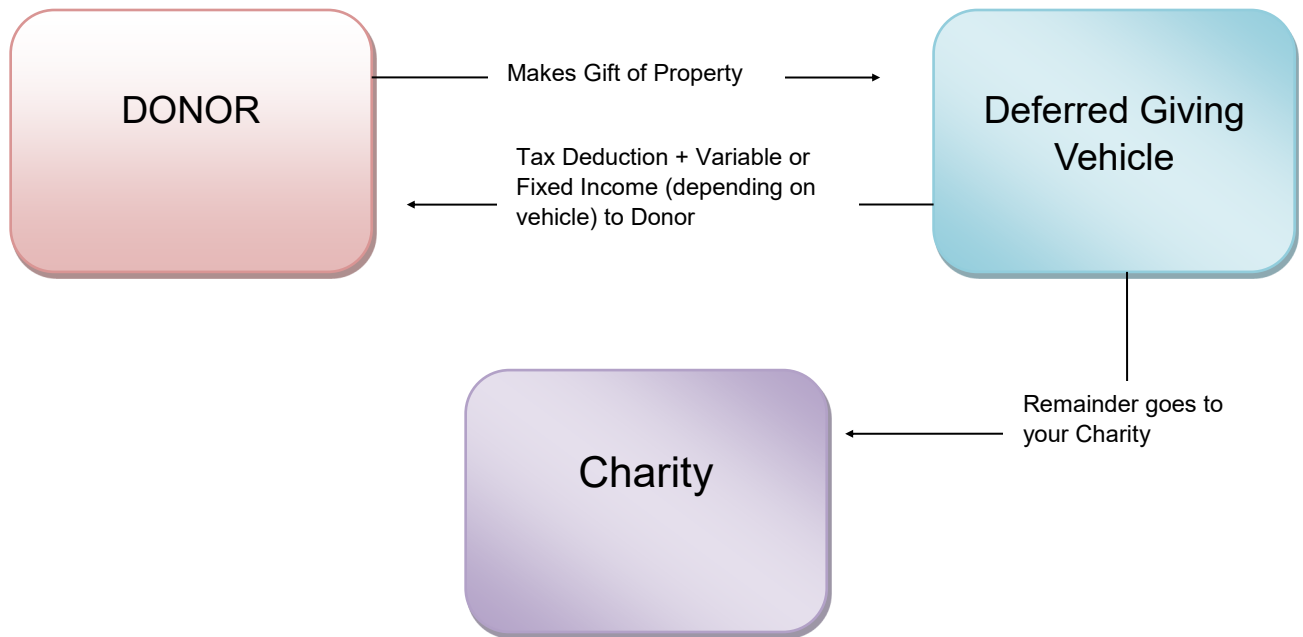
**Ordinary Income Property** can be property created or used in trade or business and can include inventory held for sale. This also includes any property sold that would create ordinary income.

**Long-Term Capital Gain Property** are assets you've held for more than one year; stocks, bonds, and mutual funds typically fall into this category. Usually you can deduct the full fair market value however there are deduction limitations based on your adjusted gross income.



## Create a Deferred Giving Arrangement

A deferred giving arrangement permits a tax free conversion of appreciated low yield growth assets into high yield income producing assets. This strategy can be particularly useful at retirement or shortly before the sale of a major asset. There are many vehicles that can be used to set up a Deferred Giving Arrangement so consulting with a tax professional and possibly an estate planning attorney might be helpful. Below is a basic illustration on how this type of arrangement works.



## Create a Wealth Replacement Plan

A wealth replacement plan permits a tax free conversion of the donors investment (s) as well as allowing both the charity and heirs to inherit a substantial amount of money. This is done by making a gift to a deferred giving vehicle and using a life insurance policy to replace the gift made to the charity.

How this works is the donor makes the gift to the deferred giving vehicle and the heirs take out a life insurance policy on the donor. The deferred giving vehicle is set up to make payments to the heirs to pay for the life insurance premiums. Upon the donors death the Charity will receive the remainder of what is left in the deferred giving vehicle subsequently the heirs will receive the life insurance proceeds and since the life insurance policy is owned by the heirs it is not included in the donors estate and therefore not subject to estate taxes upon the donors death.

**See our Whitepaper on Deferred Giving Vehicles for more information!**

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*Retirement Concepts Group, LLC., 7301 W 129th St., STE 210, Overland Park, KS 66213, 913-948-6590*