

# Planned Giving 101

Virtual Coffee Talks

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Most Common Types of Planned Gifts

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# Common Planned Gifts



- Bequest Provision in a Will/Trust
- Beneficiary of Life Insurance
- Beneficiary of Retirement Accounts
- Charitable Remainder Trust (CRT)
- Charitable Gift Annuity (CGA)



# Bequest Through a Will or Trust

- Bequests are easy .... but oftentimes feel cumbersome to donors in practice.
  - An estate plan update costs donors money, time, and emotional energy.
  - Be respectful of a Donor’s timeline:
    - Donors may need information from you for quick turn around as they work to finalize plans, but...
    - Bequests can also take many years to come to fruition



# Bequest Through a Will or Trust

- Have easy access/prepared materials to help the Donor and their advisor with their planning
  - Suggested bequest language for unrestricted gifts should be available on your website and on some of your marketing materials.
  - Suggested bequest language for restricted purposes can be crafted to share with a donor.
  - At Carolina, we encourage donors to keep their estate language as simple as possible and outline the future use of their gift in a Letter of Intent or Memoranda of Understanding. However, your document retention process should be considered ahead of implementing this strategy.



# Beneficiary of Life Insurance

- Have easy access/prepared materials to help the Donor and their advisor with their planning
  - Beneficiary Designation Instructions One-Pager
  - Sample Letter of Intent that will allow the donor flesh out future use since beneficiary designation form will not have room for details
  - What other information is helpful for your files?
    - Name of the person who will serve as executor or trustee of their estate.
    - Name of their estate planning advisor
    - Copy of the Beneficiary Designation Form
- Types of Policies?
- If the policy has a current cash value, explore whether or not the donor may be interesting in gifting the policy and putting proceeds to use by your organization today.



# QUESTIONS?



# Retirement Plan Beneficiary



- The easiest planned gift donors can make.
- The easiest planned gift for non-profits to solicit.



# Retirement Plan Beneficiary



- Most Common Types of Plans
  - IRA – Individual Retirement Account
  - 401(k) – Offered by for-profit employers
  - 403(b) – Available to public schools and tax-exempt organizations
  - 401(a) – Available to government employees



# Retirement Plan Beneficiary



- How it works
  - Donor names the charity as a beneficiary of her retirement account
  - Any residue left in the plan at maturity passes tax-free to the charity



# Retirement Plan Beneficiary



- Benefits
  - Maximum flexibility for donor
  - Donor may continue withdrawals during lifetime
  - Donor avoids taxes on the residue amount given to charity
  - Possible tax benefit for donor's family



# Retirement Plan Beneficiary



- Candidates for Retirement Account Gifts
  - Donor holds an IRA or other retirement plan
  - Donor has an overfunded retirement and doesn't need the income
  - Donor wishes to ensure the most efficient distribution of assets



# QUESTIONS?



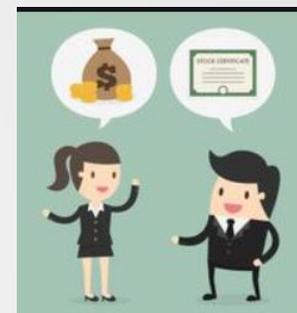
# LIFE INCOME GIFTS – CGAs and CRUTs

- Great for donors who want to make a significant charitable gift but are concerned about **income**
- Donor gives a **gift** of cash or appreciated assets to 1) a charitable organization to fund a CGA or 2) charitable remainder trust established under a trust agreement
- Donor receives an income tax deduction for a portion of the gift
- Donor and/or loved ones receive a stream of payments for life
- When the donor passes away, the money remaining goes to **support area of their choosing at the benefiting charitable organization.**



# Charitable Gift Annuities (CGA)

- Great option for risk-averse donors who like the security of **fixed income**
- Fixed payment for life, regardless of stock market or economy
- Can establish for **self or loved ones**
- Funding assets: **cash or appreciated securities are most common**
- Straight-forward, one-page agreement
- **Sample CGA Rates** (American Council on Gift Annuities):
  - Single life: 70 year old – 4.7%; 75 year old – 5.4%
  - Joint lives: 65 & 70 year old – 4%; 70 and 75 year old – 4.3%
- Donor may **delay income payments** to a future date (retirement, etc.) for a higher payout rate (Flexible Deferred Gift Annuity)
- Annuity payment **taxed** as ordinary income or capital gains; remainder tax-free. Past IRS life expectancy, payment taxed as ordinary income. Charity prepares Form 1099-R for beneficiaries.
- Donor receives an **income tax deduction** for a portion of the gift



# CHARITABLE REMAINDER UNITRUST (CRUT)



- Good option for donors who are comfortable with some risk
- **Variable payment**, based on unitrust percentage and performance of the trust's investments valued each year
- CRUT rates: **minimum 5% and maximum 50%**
- Charitable **remainder** must equal **at least 10%** of gift
  - Some charities require 25% remainder
- Donor can establish CRUT for themselves or loved ones
- **Funding assets:** cash, appreciated securities and/or real estate
- Donor receives an **income tax deduction** for a portion of the gift



# CHARITABLE REMAINDER UNITRUST (CRUT)

- Who can serve as **trustee**? The Charity, the Donor, or another entity
- Donor can choose to be trustee and their broker can manage assets
- CRUT can **benefit multiple charities**; Duke must receive 51% remainder to act as trustee
- CRUT **agreement prepared by attorney**; some charities provide sample agreement
- Trustee must prepare **annual charitable tax return!**
- **Tax Form K-1** issued to beneficiary: Payments taxed as ordinary income, qualified dividends, capital gains, tax-free income and return of principal



# LIFE INCOME GIFTS – CGAs and CRUTs



<b>CGA – Charitable Gift Annuity</b>	<b>CRUT – Charitable Remainder Unitrust</b>
Fixed payments for life	Variable payments for life
\$10,000 minimum gift (at Duke)	\$100,000 minimum gift (at Duke)
Donors value security	Donors are comfortable with risk
Donors tend to be older (70s, 80s)	Donors tend to be younger (50s, 60s)
Fund with cash or appreciated securities	Fund with cash, appreciated securities, or real estate.





# QUESTIONS?



# Documentation

- **Two-thirds** of the time Donors do not tell the charity they are included in their future plans.
- Make sure your marketing efforts encourage Donors to share their long-term plans benefiting your organization.
- Feature deferred givers in your marketing.
- Charities need to make sure they understand the donor's wishes and can honor them in the manner outlined. Knowing the donor's intentions ahead of time allows non-profits to clarify donor intent and identify language that may be problematic for the non-profit to honor. Even where donors are uncomfortable sharing value, sharing purpose and specific language used in legal documents is very important.
- When a donor informs us of the current value of a future gift it helps us with future planning. It may even affect program planning and internal support. It truly does help us plan for the organization's future.



# Documentation

- Even if a donor does not want recognition, we want to thank and steward them.
- Ensure your record keeping system for your deferred gifts is appropriate for your organization.
- Review deferred gift documentation on a regular basis to ensure purpose remains clear and relevant to your organization. Use this as a stewardship opportunity to touch base with your deferred giving donors.
- Where you retain copies of Forms 8283 or Forms 8282, ensure these copies blank out any Social Security information that may have been shared with the organization.



# Remember.....

- Deferred gifts are often a Donor's **FIRST** major gift to your organization.
- Have a plan to keep your deferred givers involved and feeling appreciated. As you close deferred gifts, think through stewardship opportunities that are right-sized for your donor and your organization....



# QUESTIONS?



# Thank you for joining us!

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