# YOUR GUIDE TO EFFECTIVE GIVING IN 2019

Each year millions of Americans give generously in support of their charitable interests.

Taking time to consider when to make a contribution, what to give and how best to structure a charitable transfer can make a difference in how much you decide to donate now and in the future.

1. *Choosing the right property.* What you decide to give can be vital in determining how much you would like to donate.
2. *Timing is essential.* Through careful timing of your gifts, it may be possible to accomplish multiple objectives that result in maximum tax savings and other financial benefits.
3. *Giving in the right way.* Whether you finalize your gifts now or in the future, special opportunities may allow you to make a larger contribution than you thought possible.

Read on for more information about a number of popular gift options and how to incorporate them into your plans while you meet other important personal goals.

## Making gifts now

Giving cash by check, credit card or other means of transfer is the most common way to make charitable contributions. Tax law changes in recent years continue to encourage gifts of cash and have expanded the limit on the amount you can deduct.

For example, gifts of cash can eliminate federal income tax on up to 60% of your adjusted gross income (AGI) each year. You may also enjoy state income tax savings.

Any amounts not deductible in a given year can be used to reduce your income taxes for up to five additional years.

## Maximizing tax savings going forward

Generally, the higher your tax bracket, the greater the savings from your charitable gifts.

To experience the full tax benefits of your gifts, however, your itemized deductions must total more than the standard deduction amount you are allowed to subtract from your income whether or not you itemize your deductions.

When your deductible mortgage interest, allowable state taxes, charitable gifts and other deductions exceed the standard deduction, you can deduct the larger sum. Your charitable gifts will then be deductible, and you will owe no federal tax on the amount deducted.

It may be wise to boost the amount of your charitable gifts in some years to ensure you continue to enjoy the benefits from itemizing your mortgage interest, state taxes and other deductible expenses. The same is true if you expect to be in a lower tax bracket in the future.

Check with your tax advisor when considering the amount and timing of your charitable gifts.

## Giving securities

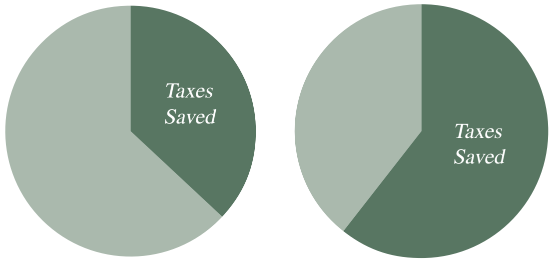
If you own stocks, mutual funds or other securities that have increased in value, and you have owned them for more than one year, it can be wise to use them to make charitable gifts.

That is because you are entitled to claim a deduction for the full market value of donated securities, not just their cost, and you do not have to pay capital gains tax that would be owed if you instead sold those securities and donated the proceeds.

The combined savings of both regular income tax and capital gains tax can make gifts of securities especially attractive. This opportunity is available to everyone, whether or not they itemize their tax deductions.

Giving securities that have increased in value but yield little income can be a good choice. That can be a way to make a special gift and enjoy additional tax savings while experiencing little or no reduction in your spendable income.

*Maximum Tax Savings for Cash Versus Noncash Gifts*




Gift of Cash

Gift of Appreciated Property

Gifts of appreciated securities can also serve to boost your itemized deductions above the standard deduction amount, allowing you to also enjoy tax savings from other deductible expenses.

Gifts of appreciated securities may eliminate tax on up to 30% of your AGI. Gifts of larger amounts can reduce taxes in up to five future tax years.

## When securities have decreased in value

If a security is worth less than its cost, it is usually best to sell that security and make a charitable gift of the cash proceeds.

You may then be able to take deductions for both the capital loss and the charitable gift. This can make it possible to deduct more than the current value of the security.

## Give a security and "keep" it

What if you are reluctant to give a security that has increased in value because you believe its value may continue to grow in the future?

In that case, it may be more effective to give the security, deduct its full value and bypass capital gains tax on the amount of the increase in value up until the time of your gift.

You may then use the cash you may otherwise have given to repurchase the security at its current price. You will then have the same amount invested in the security as before, but with a new, higher cost basis.

If the security continues to grow in value and you sell it at a future date, you will only owe capital gains tax on the increase in value from the time you repurchased it. If the value declines in the future, you may deduct all or a portion of the loss on a sale or use it to offset capital gains.

## Giving other assets

Other property that has increased in value—such as art, jewelry, antiques or real estate—may also make practical gifts.



Whether or not a gift of such assets is tax deductible (and the amount of the deduction you may claim) depends on the type of property, its value and the way it will be used by the charity. Check with your advisors for more information.

## Gifts from retirement funds

Special tax and other benefits can result from giving retirement account assets.

For example, if you are required to withdraw funds annually from your Individual Retirement Account (IRA) or other retirement plan, you may find that making gifts using all or a portion of the withdrawn funds can be a good way to minimize, or even eliminate, taxes on the amount withdrawn, while also removing the amount given from your estate for federal and/or state tax purposes.

In the case of a traditional or Roth IRA, people age 70½ and older may make tax-free gifts totaling up to $100,000 per year directly to a qualified charity.

The amount you give will count towards your annual Required Minimum Distribution but will not be considered income to you.

This direct transfer to charity from an IRA is called a "Qualified Charitable Distribution." This option can be especially attractive if you do not itemize your tax deductions or you would like to keep your reportable income down to avoid having your Social Security and other income taxed at a higher rate.

Check with your tax advisor and IRA administrator for more information about making gifts of retirement plan assets and the forms necessary to give in this way.

## Life insurance gifts

Life insurance policies not needed for their original purpose may also be a good option for making charitable gifts.

For example, if a policy is no longer needed by loved ones or is not necessary to fund estate taxes you do not expect to owe, consider using that policy to make a charitable gift.

The advantages of giving life insurance policies depend on the policy's value, form of ownership and other factors. Contact your financial advisor or insurance company for information and to obtain the necessary forms.

## Give and receive income

Did you know that you can make a gift today and receive income from the gift for yourself and/or one or more other persons? The income can be received for life, or in some cases it may continue for another period of time you choose.

Through the use of special planning tools, you can make gifts while providing for retirement, supporting parents or other loved ones or arranging funding for educational expenses or other special needs.

These plans can feature immediate income and/or capital gains tax savings. Giving in this way can be especially attractive to those who do not ordinarily itemize their tax deductions. That is because deductions related to these gifts may help boost your total deductions above the standard deduction amount, allowing you to benefit not only from the charitable gift but from other deductions as well.

In addition, a large percentage of payments may be received free of tax, or taxed at lower rates than other sources of income.

Such gifts can also offer a way to increase income from low-yielding assets without incurring capital gains tax at the time of the gift.

Because the assets used to fund such gifts will ultimately be used for charitable purposes, they are generally not subject to gift or estate taxes, and you may also benefit from substantial savings in addition to the income and capital gains tax benefits described previously.



Check with your advisors to learn more about making gifts that provide additional income, tax savings and other financial benefits.

## Making gifts over time

You may even make a charitable gift for a period of time before the assets funding the gift are returned to you and/or your heirs.

A *charitable lead trust* is one such gift that can allow you to make charitable contributions over a specific time period you choose. When the assets pass to other heirs after the charitable gifts are completed, the value of the gifts from the trust will serve to reduce or eliminate federal and/or state income, gift and estate taxes that might otherwise be due. In this case, the payments that are distributed to charitable organizations will also not be included in your income, effectively providing the same benefits as if you had received the income and fully deducted it for tax purposes.

## Making future gifts

You may also wish to consider making charitable gifts that will be received in the future as part of your financial and estate plans.

On account of federal estate tax law changes in recent years, fewer estates will be subject to estate tax. The amount that can be left to heirs free of federal estate and gift taxes has been increased to more than $11 million for single individuals and more than $22 million for married couples. This amount will be adjusted for inflation in future years.

As a result of reduced estate taxes, it will no longer be necessary for most to set aside funds for payment of taxes on gifts to individuals.

This means it may now be more practical to use all or a portion of these tax savings to fund charitable gifts as part of your estate plans, because your heirs will still receive the same amount or more than they would have after paying taxes under prior law.

In cases where estates are subject to tax, all charitable gifts from the estate remain fully deductible.

Options for making charitable gifts as part of your estate and financial planning include the following:

*Giving through a will* can be a convenient way to make a gift in the future. You may decide to make a gift of a specific amount, a percentage of your estate or all or part of what remains after you have remembered family and friends.

These gifts can often be arranged with the addition of a simple codicil (amendment) to your existing will.



*Giving through living trusts* is another possibility. Many people's estates will be distributed primarily through a trust they created during their lifetime (often referred to as a "living trust").

When an estate will largely be distributed through a living trust, it is often best to include charitable gifts in the trust instead of, or in addition to, a will. Charitable gifts may be included in living trusts when they are created, or can be added later with an amendment to the trust.

Living trusts can not only provide for future distribution of assets, they may include arrangements for management of your affairs (including making your charitable gifts) if you are unable to do so yourself. They can also help reduce the cost and delays of estate settlement.

*Giving the proceeds of a life insurance policy* no longer needed for its original purpose can also be a practical way to make a future gift. You may name one or more charitable interests to receive all or a portion of a life insurance policy's value at death. In some cases, income tax and estate tax benefits can result from giving in this way.

*Gifts of retirement plan remainders* are increasingly popular as more people have accumulated a significant portion of their assets in tax-favored retirement plans, and because individuals who inherit these plans must usually pay income tax when they withdraw the funds.



It may therefore be wise to make gifts from retirement plans to tax-exempt charities and leave other assets not subject to income tax to heirs. Naming a charity as the beneficiary of a retirement plan balance may also be beneficial from an estate tax planning perspective.

*Giving bank or investment account remainders* is another option. In most states you may name a charity to receive all or a portion of what is left in an investment account. These are known as “pay on death” (POD) or “transfer on death” (TOD) arrangements. Under the terms of these provisions, future charitable recipients will not be able to access the accounts during your lifetime.

You may find that one or more of these ways to give will help you meet long-term charitable goals while first providing for your own needs and those of your loved ones.

## Coordinating your plans

More information about the ways to give discussed in these pages is available upon request.

As a starting point when considering your financial and philanthropic plans, consider sharing this booklet with your advisors. They can provide advice appropriate for your circumstances and under the laws in effect at the time of your gift.

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