Planned giving is key to strategic philanthropy

Note: the following is excerpted from Integrating Advanced Charitable Planning into Your Wealth Management Strategy at the 2019 Annual Meeting.

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Strategic charitable planning involves a mixture of emotional and practical decision-making: Is the cause dear to your heart? Is the charity worthy of your support? (Have you checked Form 990?) What are the financial (usually tax-related) ramifications of your generosity? OMS Partners, LLC, is proud to support the mission of the OMS Foundation and endorses its efforts to increase donor understanding and participation in its R.V. Walker Society, which recognizes donors who commit to a planned gift of $25,000 or more to the Foundation. To support this effort, OMS Partners, LLC, offers a planned giving primer for those considering a new or enhanced legacy gift to the Foundation.

Once you've decided to integrate planned giving into your philanthropic portfolio, it can be tempting to write a bequest into your will and move on. Why bother to pursue a more-complex charitable gift? Well, how confident are you that your heirs share your philanthropic goals? The safest strategy for ensuring that your charitable objectives are met is to donate during your lifetime. Beyond that, a variety of charitable planning options exist to ensure that your wishes are followed before and after your passing. These philanthropic strategies are in ascending order of complexity. Your legal and financial advisors can help you decide which option is best for you:

1. **Cash donation (bequest) in your will** – A cash donation is easy for both donor and recipient, but tax benefits associated with smaller cash donations during your lifetime have all but disappeared along with the IRS itemized deduction, and wills can be (and often are) contested.

2. **Donating appreciated securities** – Donating the securities themselves instead of the proceeds from their sale provides the donor with a charitable tax deduction without incurring capital gains tax liability, and the tax-exempt recipient charity receives the full value of the securities.

3. **Donating from a Donor-Advised Fund (DAF)** – Increasingly popular under the new Tax Cuts and Jobs Act, a DAF functions similar to a philanthropic checkbook. Contributions to your DAF are irrevocable but tax deductible. Strategic philanthropists reap tax benefits by making large contributions to their DAF then parceling out these funds to qualified 501(c)3 charities at their discretion. Tax benefits apply only to the DAF contribution, not the subsequent disbursements.

4. **Donating from your IRA** – IRA account owners 70½ or older are required to take annual Required Minimum Distributions (RMDs) from their account, which can substantially increase your Adjusted Gross Income. You can avoid additional income tax liability by donating up to $100,000 of your RMD annually to charity via a Qualified Charitable Distribution (QCD). Because QCDs are not factored into your adjusted gross income, they deliver an automatic tax benefit by preventing an undesirable tax-bracket boost.

5. **Donating life insurance policies** – As families mature, life insurance becomes less essential to financial security. Donating a life insurance policy to charity is easily done, but getting the details right is important.

   a. **Designating a charity as beneficiary** – When a donor names a charity as a beneficiary of a new or existing policy, the policy remains part of the donor's estate. No immediate tax deduction is allowed, but the insurance proceeds qualify for an estate tax deduction.

   b. **Donating an existing policy** – Designating a charity as irrevocable owner/beneficiary of an existing policy delivers immediate and long-range tax benefits. The premiums qualify as a charitable gift, and the policy value is excluded from estate taxes.

   c. **Donating a new policy** – Naming a charity as irrevocable owner/beneficiary of a new policy delivers the same tax benefits as above. Treloar & Heisel offers a streamlined whole-life insurance policy benefiting the OMS Foundation with no medical exam required for qualified applicants. Call 800-852-4900 to enroll.

7. **Charitable Remainder Trust (CRT)** – Charitable Remainder Annuity Trusts (CRAT) and Charitable Remainder Unitrusts (CRUT) are irrevocable trusts administered by your estate manager. They provide an annual payment from invested assets to non-charitable beneficiary(s) (usually the trust maker and/or the trust maker's spouse) with the remainder of the trust property distributed to the charity upon the death of the last income beneficiary.

8. **Charitable Lead Trust (CLT)** – This irrevocable trust, administered by your estate manager, provides an annual payment of 5 percent of the invested trust assets to the designated charity. At the end of the trust life, the remainder passes to the designated (non-charitable) beneficiary outside the donor's taxable estate. This strategy offers unique tax opportunities for small, privately held businesses with limited liquidity.

9. **Private Family Foundation** – Though initially expensive to establish, family foundations offer an appealing opportunity for high-wealth families to foster intergenerational philanthropy. Donor contributions (irrevocable but tax deductible) fund grants to beneficiaries selected by the foundation's governing board. Five percent of the trust assets must be donated to qualified charity(s) each year, and heirs often are invited to participate as junior board members.

Professional advice is essential to securing your legacy. To execute a planned gift to OMS Foundation, consult with your financial and legal advisors, then notify the OMS Foundation (Mary DiCarlo at *mdicarlo@omsfoundation.org*) of your commitment. ■