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Charitable Giving Strategies

Preserving Wealth While Making a Difference

Members of high-net-worth households frequently have complex planning goals. Making an impact through philanthropy is often a high priority. Additionally, they are looking to reduce both income and estate taxes to maximize wealth transfer to their heirs.

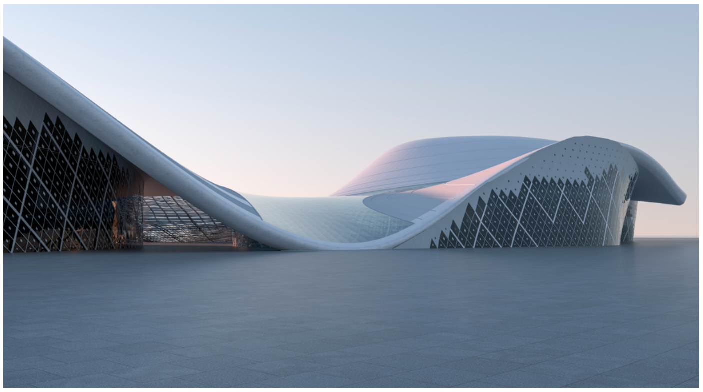
The good news is that through time-tested charitable giving strategies, households may be able to achieve all those goals—limiting estate taxes, obtaining income tax deductions and fulfilling philanthropic goals—as part of one process.

A Range of Solutions

Several popular vehicles can be used to facilitate charitable giving, including private foundations, donor-advised funds, charitable remainder trusts and charitable lead trusts. The structures of each vehicle are different, but each enables donors to make irrevocable donations destined for charities while gaining important tax benefits in return. And each can be used as part of broader estate and philanthropic planning strategies. Here's a brief look at four of the main charitable giving vehicles.

Private Foundations

Private foundations are typically associated with high-net-worth households with substantial assets to donate. They can be funded with a range of assets, from cash to stocks to real estate, and they're required to distribute at least 5% of their assets each year toward charitable purposes.



Private foundations are valued for their combination of flexibility and control: Unlike some other vehicles, they allow donors to make grants to individuals, and donors directly control charitable disbursements and investment decisions. Foundations can also exist in perpetuity, and family members can hold board positions and help make granting decisions. Private foundations are often created with an eye toward fostering an enduring family legacy.

Donor-Advised Funds

Donor-advised funds—DAFs for short—are sometimes likened to investment accounts for charitable giving. Like 401(k) plans for retirement, DAFs allow donors to contribute assets and potentially grow them tax free. Finally, DAF assets can be distributed to public charities over time. Donors can contribute to their DAF as often as they like, and when they do, they receive tax deductions that can exceed those available through private foundations.

DAFs involve much less administrative work than private foundations, don't require annual distributions to charity and allow donors to remain anonymous if they so desire. One trade-off: Funds may only be disbursed to qualifying charitable entities.

Charitable Remainder Trusts

Charitable remainder trusts (CRTs) include a compelling feature: the ability to earn income while also contributing to your selected charities. A type of irrevocable trust, the CRT is designed to provide the grantor or their beneficiaries with a stream of ongoing income during the income beneficiaries' lifetime or a term of years. Upon the donor's death or once the term of the trust has ended, remaining assets are disbursed to the designated charity or charities. An interesting feature of charitable remainder trusts is donor-advised funds and private foundations can be named as charitable beneficiaries.

Charitable Lead Trusts

Another type of irrevocable trust, charitable lead trusts (CLTs) also provide income, this time for designated charities. Assets in the trust are distributed to charitable organizations over a specific period in the form of regular distributions. After a specified date, the trust is terminated, and its remaining assets are disbursed to family members or other beneficiaries, free of estate and gift taxes. CLTs are another tool that can help donors mitigate taxes while positively impacting society.

Getting Started

The charitable giving journey can be rewarding on many levels. Preserving wealth and supporting worthy causes are significant rewards, but when intergenerational family members are involved in decision-making, it can help foster shared values and a sense of purpose, teach financial responsibility to younger generations and establish a lasting legacy of generosity. To learn more, set up a discussion with your wealth advisor, who can work with our in-house estate planning team to help design a charitable giving strategy that best fulfills your intentions.

For more information visit: **mariner.com**