



W&S Financial  
Group Distributors

A member of Western & Southern Financial Group

ADVANCED MARKETS | ESTATE PLANNING

# CHARITABLE GIVING STRATEGIES



## Planning Grid



Strategy	Overview	Benefits	Tax Advantages	Disadvantages	Action Needed
<b>Bequest</b>	Cash or property transferred to charity at donor's death.	Donor retains lifetime control of property.	Estate tax charitable deduction offsets inclusion in donor's gross estate.	No current income tax deduction for donor.	Donor's will, trust or beneficiary designations must specify the charitable bequest.
<b>Cash Gifts</b>	Gift of cash to charity.	Immediate benefit to charity.	Immediate income tax deduction for donor, subject to limits related to itemization and Adjusted Gross Income (AGI).	Annual gifts depend on cash needs of donor. Donor has no ability to enjoy use of the cash transferred during lifetime.	Donor makes cash gift to charity.
<b>Charitable Lead Trust (CLT)</b>	An irrevocable trust providing current income payments to a charity, followed by payment of the remainder interest to a non-charitable beneficiary.	Current benefits to charity. Property passes to heirs at reduced gift tax cost.	Tax deduction for present value of income interest (if grantor trust); gift to heirs is present value of remainder, a fraction of full value.	Loss of access to current income produced by the asset transferred to the CLT. If grantor trust, all income earned is taxed to grantor.	Legal counsel drafts trust document. Tax advisor consulted on transfer of property to trust. When trust period ends, remainder interest passes to non-charitable beneficiary.
<b>Charitable Remainder Trust (CRT)</b> Charitable Remainder Annuity Trust (CRAT) pays current income as a fixed dollar amount. Charitable Remainder Unitrust (CRUT) pays current income as a fixed percentage of trust assets.	An irrevocable trust providing current income payments to a non-charitable beneficiary, followed by payment of the remainder interest to a charity.	Income stream to non-charitable beneficiary. Potential to replace value of transferred property for heirs, if combined with a separate wealth replacement trust funded with life insurance.	Capital gains tax is deferred if trust sells highly appreciated assets. Immediate income tax deduction to donor for present value of charitable remainder interest.	Donor must be willing to relinquish control of asset.	Legal counsel drafts trust document. Tax advisor consulted on transfer of property to trust. When trust period ends, remainder interest passes to charity.
<b>Life Insurance</b> Charity named as policy beneficiary	Donor names charity as beneficiary of life insurance policy owned by the donor.	Donor retains access to policy cash values. Policy avoids probate. Donor retains the ability to change the beneficiary.	Estate tax charitable deduction offsets inclusion in donor's gross estate.	No current benefit to charity. No income tax deduction.	Donor names charity as beneficiary of a life insurance policy.
<b>Life Insurance</b> Gift of existing policy	Donor transfers an existing life insurance policy as a gift to a charity.	Life insurance policy that is no longer required for personal needs is removed from donor's estate, and a valuable benefit is provided to a charity.	Donor may take an income tax deduction for the lower of the policy's value or cost basis and for cash gifts to charity for payment of future premiums. Policy is excluded from estate taxation.	Donor has no access to policy cash values and gives up control of policy.	Donor changes ownership of the policy to the charity. Donor makes cash gifts to the charity to pay future premiums. The charity makes future premium payments.
<b>Life Insurance</b> Gift of new policy	Donor purchases a life insurance policy naming the charity as owner, subject to financial underwriting guidelines. (Note: Not all states allow a charity to be named owner of a new policy.)	Life insurance results in a greater gift to the charity than a cash gift of the premium amount.	Donor may take an income tax deduction for cash gifts to charity for premium payments. Policy not included in the donor's estate.	Donor has no access to cash values in policy and has no control over policy.	Apply for a policy naming the charity as owner and beneficiary. Pay future premiums to the charity. Legal counsel should check state insurable interest rules as to ownership of life insurance by charities.
<b>Long-Term Capital Gains Property</b>	Donor transfers real estate, securities, business interest or capital assets held longer than one year to charity.	Immediate benefit to the charity.	In most cases, donor may elect immediate income tax deduction for either fair market value (30% of AGI cap) or cost basis (50% of AGI cap). No recognition of loss or gain on the transfer.	Donor gives up control of the property.	Formal transfer by deed or other legal documentation.
<b>Ordinary Income Property</b>	Donor transfers inventory, copyrights, annuities, depreciated or amortized property, partnership interests or short-term capital gains property to charity.	Immediate benefit to the charity.	Immediate income tax deduction of cost basis. No recognition of loss or gain on the transfer (other than in the case of an annuity).	Donor gives up control of the property.	Formal transfer by deed or other legal documentation.
<b>Wealth Replacement Trust</b>	Donor uses life insurance owned by an irrevocable trust to replace for heirs the value of property transferred to charity.	Liquidity replaces property value for family's financial protection.	Life insurance death benefits are received free of income and estate tax as the policy is owned by an irrevocable trust.	Donor does not have control of the trust and the life insurance policy owned by the trust.	Legal counsel to draft trust.

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