Use Planned Giving to Help You Make Your Dent in the Universe

Planned giving will help you do well by doing good — providing meaningful financial support to causes that you care about while potentially giving you sizable tax breaks that boost your bottom line. Check out this guide to eight planned giving strategies that some wealthy families and business owners use to maximize their charitable giving.

This report was selected especially for you by Falkenberg-Poetz & Pidhirniak Wealth

Elite wealth management

Use planned giving to help you make your dent in the universe

Key takeaways

- Planned giving coordinates philanthropy with your other financial goals, such as tax mitigation.
- There are eight main types of planned gifts to consider — each with its own pros and cons in terms of financial benefits, amount of charitable impact and level of control.

Do you want to have a major impact on a charity or cause that means a great deal to you? Do you want to do well financially by doing good for others in need? Do you want to leave your mark and “make a dent in the universe” as Steve Jobs once talked about?

If so, you’ve got plenty of company.

When we asked 247 highly successful business owners why they wanted to be wealthier, 71.3 percent — nearly three-quarters — told us they wanted to build additional wealth so they could be more meaningfully supportive of charitable causes.

As an entrepreneur, you know that the best results usually come from the best plans — and that’s no different when it comes to giving.

Planned giving, defined

Planned giving is the process of making a significant charitable gift, during your life or at death, that is part of a broader financial or estate plan. In contrast, a charitable donation made from your cash flow is not a planned gift.

Smart planned giving is usually best accomplished as part of your overall financial situation. By taking into account the various assets you have and how they are structured, you can achieve results that are very worthwhile to all parties involved — including you, your business, your family and the charitable organization. To get those results, planned giving is often coordinated with estate or income tax planning that uses advanced legal and tax strategies and/or financial products.

Planned gifts take a number of forms. Generally speaking, planned gifts provide you with a financial benefit on top of normal tax deductions — benefits that were put into the tax code specifically to encourage planned giving.

Seven types of planned gifts

The best first step in planning is to understand the lay of the land. Numerous types of charitable gifts fall under the umbrella of planned gifts and planned giving.

1. **Will bequest.** This is the simplest gift — and the one that is by far the most common among those who have already made a planned gift. Through a will bequest, you leave a charitable gift in your will, and the gift does not go to the charity until the will is probated.

   A will bequest meets the personal needs of many people, and it does not require a great deal of involvement during your lifetime. Also, a will bequest does not require a lot of administrative oversight; the estate simply pays out the designated amount to the charity during the administration of the estate. What's more, will bequests are convenient because the assets are still available to you during your lifetime. Your estate is also able to take a tax deduction for the value of the charitable bequest.

2. **Private foundation.** This is a private, nonprofit organization that receives most of its contributions from a single wealthy individual or family. With a private foundation, a minimum amount of the foundation's assets must be distributed annually (currently about 3.50 percent).

3. **Donor-advised fund (DAF).** Think of DAFs as charities that invest in pooled investment vehicles similar to mutual funds. What you donate earns a federal income tax deduction for the entire gift, because the DAF is technically a nonprofit. You can then, at your own pace, pinpoint certain charities and decide how much to give to each one. The fund will send a check to the charity when you request that it do so.

4. **Charitable trusts.** For many people with wealth and strong charitable intent, charitable trusts are extremely attractive planned gifts.

   - *Charitable remainder trust.* With a charitable remainder trust, the benefit to charity is delayed because income from the trust is reserved for you (as the donor) or some other person you specify. As part of the gift, the trust provides income for you for your lifetime or for a set number of years. Once the trust is terminated, one or more charities chosen by you will receive the assets that had been held in the trust.

5. **Charitable gifts of life insurance.** This approach to planned giving uses a traditional financial tool — life insurance — in an innovative way. As the donor, you designate a charity as the owner of your life insurance policy. Generally, you can take a tax deduction for the premiums and create a significant charitable gift.

6. **Charitable gift annuity.** This is a contract between you and a qualified charity that exchanges your gift to charity for an annuity (or guaranteed lifelong income) to you. There is a modest income tax deduction for the actuarially determined value of the gift you pass on to charity. As a consequence, charitable gift annuities can be used to reduce capital gains taxes for gifts of appreciated assets and can also reduce tax liability at death.

7. **Pooled income fund.** A pooled income fund is akin to a mutual fund. The major difference is that the pooled fund is specifically for donors who give to only one charity. Donors contribute securities, cash or other acceptable assets to the pooled income fund, and the charity manages the assets in the fund. An income tax deduction is received for the actuarially determined value of the gift passing on to charity. Pooled income funds are used to help eliminate capital gains taxes for gifts of appreciated assets. Tax liability can also be reduced upon death.

Charity first

While planned gifts can produce substantial benefits for donors, it is very important to remember that charity comes first in the equation. If tax mitigation is your only concern or your primary concern, other wealth management strategies separate from planned giving are likely to give you better results.

The upshot. If you don't sincerely care about meaningfully supporting any charities or causes, planned gifts are most probably not for you. If certain charities and causes are dear to you, however, planned giving can be a very effective way for you to do something truly worthwhile for others while doing well for yourself financially.

The right resources to tap

Planned giving is often facilitated by an array of professionals, including many working within charitable organizations. This is mainly due to practicality: There are many "moving parts" to coordinating a planned giving effort because of the multiple parties involved — donors, charitable organizations — and the multiple goals that may be being pursued (charitable impact, tax mitigation, tax reduction upon death, family legacy development, etc.).

Taking a do-it-yourself approach to charitable planning and giving is possible — but the probability that you'll miss something important that could impact your ultimate results can be very, very high.

The good news is that there are many high-caliber wealth managers, private-client lawyers and accountants who can be very useful in helping you evaluate whether planned gifts make sense for you — and which options may be ideal for your situation. The expertise of these professionals is especially valuable in helping you implement your planned giving strategy.

Therefore, one of the smartest moves you can make is to get a ***second opinion*** — either about your current approach to charitable giving and how it is being managed, or about a particular planned giving strategy or product that you are now considering.

Getting a second opinion before taking action is also a wise move even if you have taken action already but are a little unsure and anxious about the path you're on. This gives you the opportunity to correct mistakes or use solutions and products that can do a lot more to help you accomplish your charitable goals — and have a major impact on a cause you care about.

Action step. Contact us, to assess whether you're on track to achieve your charitable goals and determine any gaps that could be addressed to help you get there. This can also be a good time to discuss any other financial concerns you may have.

Please feel free to contact us

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ACKNOWLEDGMENT: This article was published by the VFO Inner Circle, a global financial concierge group working with affluent individuals and families and is distributed with its permission.