CHARITABLE GIVING TECHNIQUES

By recent estimates, Americans gave over $358 billion to charity in 2014, marking a **7 percent increase in giving over 2013.**[1]

Giving often makes donors feel as though they are making a difference, but they may also reap many economic benefits. Givers have many options when considering their gifting strategy.

But before getting started, they should review these **key considerations:**

Family philanthropic focus

The causes that mean the most to the donor and their family.

Tax minimization

The techniques that will help maximize impact while minimizing tax liability.

Administration

Who will be responsible for management or administration of the assets.

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Contact your **Client Consultant** or **Fifth Third advisor** for more information.

UNDERSTANDING HOW CHARITABLE GIFTING AFFECTS YOU

Direct gifts made during lifetime or at death

One of the most common types of charitable gifting is a direct gift during a giver's lifetime. Upon transfer, the recipient becomes the owner of the gifted property and is able to benefit from it immediately. Donors usually recognize an immediate income tax deduction (subject to applicable limits un the Internal Revenue Code) for a portion, if not all, of the fair market value of the property donated.

Donating assets at death offers the same benefit to the charity and is beneficial to donors because it can be used to avoid estate taxation on the value of the donated assets.

Charitable Gift Annuity (Charitable Remainder Trust)

The most common type of "split interest" trust, the Charitable Remainder Trust (CRT), provides tax-free diversification of highly appreciated assets, defers capital gains tax, increases income stream, reduces estate taxes, and benefits the charity of choice.[2]

How it works

Donors contribute appreciated assets to a CRT, retain the right to an annuity or unitrust income stream, and receive an immediate charitable income tax deduction (subject to certain limitations). As a tax-exempt entity, the CRT may sell the assets without incurring capital gains tax. One hundred percent of the proceeds of a sale are available for reinvestment to generate an income stream. Following reinvestment of the sale's proceeds, the CRT will pay an annual annuity or unitrust amount. Distributions to the grantor during the term are taxable with the highest taxed income being passed out first (worst first). At the end of the trust term, the property in the trust passes to charity.

Charitable Lead Trust

Conceptually the reverse of a CRT, a Charitable Lead Trust (CLT) minimizes transfer taxes upon gifts of assets made to family members by providing an intervening income stream to a charity or charities for a period of time.[2]

How it works

The grantor establishes an irrevocable trust that provides for an annual payment to a charity or charities for a period of years. The value of the gift to the beneficiaries is calculated on the actuarial remainder value, considering the amount and time period funds are paid to charity. Thus, the gift for transfer tax purposes is substantially less than the actual amount transferred to the trust. At the end of the charitable term, the remaining assets continue to be held in trust or are distributed outright to the grantor's heirs.

Donor Advised Fund

Donor Advised Funds (DAF) offer an efficient and effective method to make charitable contributions for families that want to leave a long-lasting legacy.

How it works

Donors receive a current charitable income tax deduction (subject to certain limitations) upon the creation of a separately named account within a tax-exempt entity, without the burden of significant administrative costs. Donors may receive tax benefits by donating highly appreciated stock or other complex assets. No minimum annual payouts are required, and Donor Advised Funds do not have a deadline for donors to make grant recommendations. These entities are cost efficient and have low contribution minimums. A donor may maintain anonymity and give donations anonymously. One drawback is that donors may lose some flexibility in investment management decisions (potentially limited options).[2]

Private Foundation

Aside from direct gifts during life or at death, a private foundation may be the most widely recognized charitable giving technique. And this is for good reason: the primary goal of many donors in choosing to exercise this option is to leave a lasting legacy.

How it works

Donors receive a current charitable income tax deduction (subject to certain limitations) for assets or cash donated to the foundation. Donors also retain investment control over assets and make annual distribution decisions. They can direct funds to the charity or charities of their choice and must give away 5 percent of the value of the foundation annually. Donors may receive tax benefits by donating highly appreciated (publicly traded) stock or other assets. Private foundations enable donors and their families to work together for a common charitable goal. One drawback is that the donor must adhere to state and federal administrative requirements, including a federal tax return (990-PF).

Get started today

These are just a few of the most widely used techniques.
There are many options to help meet the goals of every donor.

Please contact your **Client Consultant** or **Fifth Third advisor** to learn more about how we can help you make the most of your charitable giving this tax year.

[1]Source: charitynavigator.org

[2]This information is intended for educational purposes only and does not constitute the rendering tax or legal advice. Please contact your tax advisor or attorney for advice pertinent to your personal situation.