CHARITABLE GIVING TECHNIQUES

By recent estimates, Americans gave over $373 billion to charity in 2015, marking a **4 percent increase in giving over 2014.**[1]

Giving allows donors to make a difference with causes and organizations that are important to them, 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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UNDERSTANDING HOW CHARITABLE GIFTING AFFECTS YOU

Outright Gifts

The most common type of charitable gift is an outright gift. Upon transfer, the recipient benefits from the gift immediately. Donors usually recognize an immediate income tax deduction for a portion, if not all, of the fair market value of the property donated. A gift of stock could allow donors to make a larger gift and avoid the potential capital gains tax on those assets.

Donating assets at death offers the same benefit to the charity or recipient and is beneficial to donors because it can be used to avoid estate taxation on the value of the donated assets.[2]

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 current income stream, reduces estate taxes, and benefits the charity of the donor's 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 percentage limitations). As a tax-exempt entity, the CRT may sell the assets without incurring capital gains tax. One hundred percent of the proceeds of sales are available for reinvestment. Following reinvestment of the sale's proceeds, the CRT makes periodic annuity or unitrust distributions to the beneficiary or beneficiaries during the trust term. Those distributions are taxable with the highest taxed income being passed out first—worst first. At the end of the trust term, the remaining trust assets are distributed to charity.

Charitable Lead Trust

Conceptually the reverse of the CRT, the Charitable Lead Trust (CLT) allows tax-efficient transfer of assets while benefiting a charity.[2]

How it works

The grantor establishes an irrevocable trust that provides for an annual payout to a charity or charities during the term of the trust. The value of the gift to the beneficiaries is based on the actuarial value of the remainder interest, which factors in the amount and time period that 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 are distributed per the terms of the trust document.

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

A donor makes a contribution to a charitable fund, which then makes distributions to charities designated by the donor. Because the fund managers handle the paperwork, a DAF is a good way to receive a charitable income tax deduction (subject to certain limitations) without the burden of administrative headaches and costs. Donors may realize additional 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 often cost efficient and have low contribution minimums. A donor may also 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 percentage limitations) for assets or cash donated. 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 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 filing a federal tax return (Form 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 **Wealth Management Advisor** to learn more about how we can help you make the most of your charitable giving this tax year. To schedule a meeting and learn more about how Fifth Third Private Bank can help you achieve your goals, please contact us as **1-866-488-0017.** You can also visit us online at **53.com/wealth-management.**

[1]Source: givingusa.org/giving-usa-2016

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