



Planned Giving 102: Legacy Giving and How to Talk to Your Donors About it

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Legacy Giving

- Often made in contemplation of death
 - Mortality
 - Spiritual Beliefs
- Larger percentage of assets than annual giving
- Transformational



Legacy Giving

- Default is endowed bequest
 - Endowment- restriction as to time, gift must be set aside for perpetuity
 - True endowment = endowed by donor
 - Quasi endowment = set aside by Board
 - UMIFA/old model= principal preserved, income spent
 - UPMIFA/new model= unitrust spending
 - Oregon UPMIFA- more than 7% distribution in a year creates rebuttable presumption of imprudence
 - Important to have money set aside for future but preferable charity has control over it?



Legacy Motivations

- Philanthropy
 - Estate planning is about how to transfer stuff to heirs
 - Communicate values to family and community
 - Transferring philanthropic wealth
 - Leaving heirs a better community
- Memorializing family name
- Honoring loved ones
- Paying back



Donor Conversations

- Motivation + Mission
- Never lose sight of your narrative
- Tax consequences are the same with every charity, what you will do with the gift is the differentiator



Transfer Tax

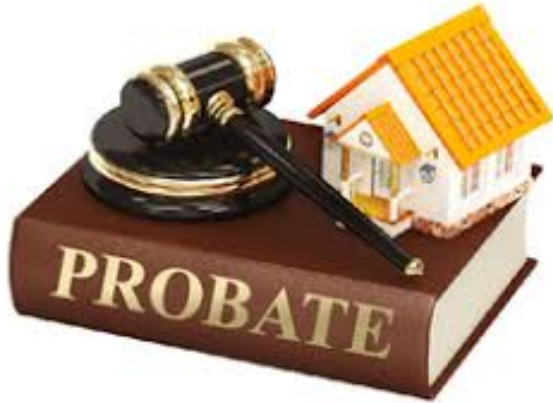
- Federal Transfer Tax
 - Unified Estate & Gift Tax Credit (often referred to as exemption amount)
 - 2018 is \$11,180,000
 - Schedule to revert back to \$5 million in 2026 (indexed for inflation should be closer to \$6 million)
- State Transfer Tax
 - 26 states have Estate or Inheritance Tax
 - Oregon estate tax exemption \$1 million
 - Washington inheritance tax exemption \$2.19 million
 - Only two states have gift tax (CT, MN)



Comparison of Gifts

	Bequest	CRT	CGA	IRA	Beneficiary Designation (non-IRA)
Income Tax Planning	No	Yes	Yes	Yes	No
Probate	Yes (in a will) No (in a trust)	No	No	No	No
Federal Transfer Tax planning	Yes	Yes	Yes	Yes	Yes
State Transfer Tax planning	Yes	Yes	Yes	Yes	Yes
Revocable until death	Yes	No	No	Yes	Yes

Probate



- Expensive
 - Court filing fees, attorney fees, personal representative fees
- Time Consuming
 - Minimum of 4 months in OR, many last well over a year (WA is easier process than OR)
- Public Record
- Only necessary if there is a probate estate
- Non-probate assets
 - Jointly owned with right of survivorship
 - Passes under beneficiary designation
 - Life insurance, retirement accounts, POD
 - Trust assets

Alternative to Bequests

- CRT or CGA
 - Beneficiary doesn't have to be donors
 - CGA for elderly parent
 - CRT for grandkids
- VERY deferred CGA
- IRA Beneficiary Designation



Identifying gifts for donor needs

- Donor with a bequest to your organization, highly appreciated asset = CRT
 - “We don’t want to manage our rental property anymore (getting too old, ready to travel, headaches with tenants, etc.) but are going to owe a lot of tax on the sale.”
- Donor with bequest to your organization, IRA account = IRA beneficiary designation
 - “My advisor told me I should talk to you about doing a QCD from my IRA because my RMD is so large this year.”
- Donor interested in retirement income, appreciated stock portfolio = CGA
 - “My stock portfolio has done very well the last 10 years but I am not sure that this market is going to continue and this scares me because I am relying on my portfolio to live off of in retirement years.”

You have identified a PG prospect, now what?



- No tax advice
- Never guess
- Offer follow-up
- Bring in other staff/resources
- Considering partnering with larger organization or community foundation
- Policies in place
 - Serve as Trustee of CRT?
 - Offer CGAs?
 - Real estate gifts and due diligence
 - Named funds/Restricted gifts
 - Review every few years with Board or committee

Identify your resources now

- Board members
 - Planned giving champion?
- Fellow development staff
- Volunteers
- Paid counsel
- Past staff or board members
- Mentor
 - NWPGRT, AFP, WVDO
- Planned giving consultant
- Investment manager/vendor



Marketing



- Planting and watering seeds/ steady drip
- Simple things like signature line on letters and emails
- Mission stories that include funding by planned gift
- Make it easy to request more information
- Demonstrating good stewardship
- Legacy Society
- Newsletters
- Website
- Mailings/emails
- Donor planned giving stories
- Events (PG specific?)
- Long term donor club in addition to large \$ amount club



Real Estate Gifts

- Outright
 - Charitable income tax deduction for appraised value
 - Charity will need to perform due diligence prior to acceptance
 - Policies should outline due diligence needed and minimums for gift
- Bargain Sale
 - Charity purchases property for less than appraised value
 - Part gift/part sale
 - Donor receives charitable income tax deduction for difference between appraised value and amount paid
 - Donor recognizes gain but only on sale portion of transaction
 - Works especially well with property the charity wishes to keep



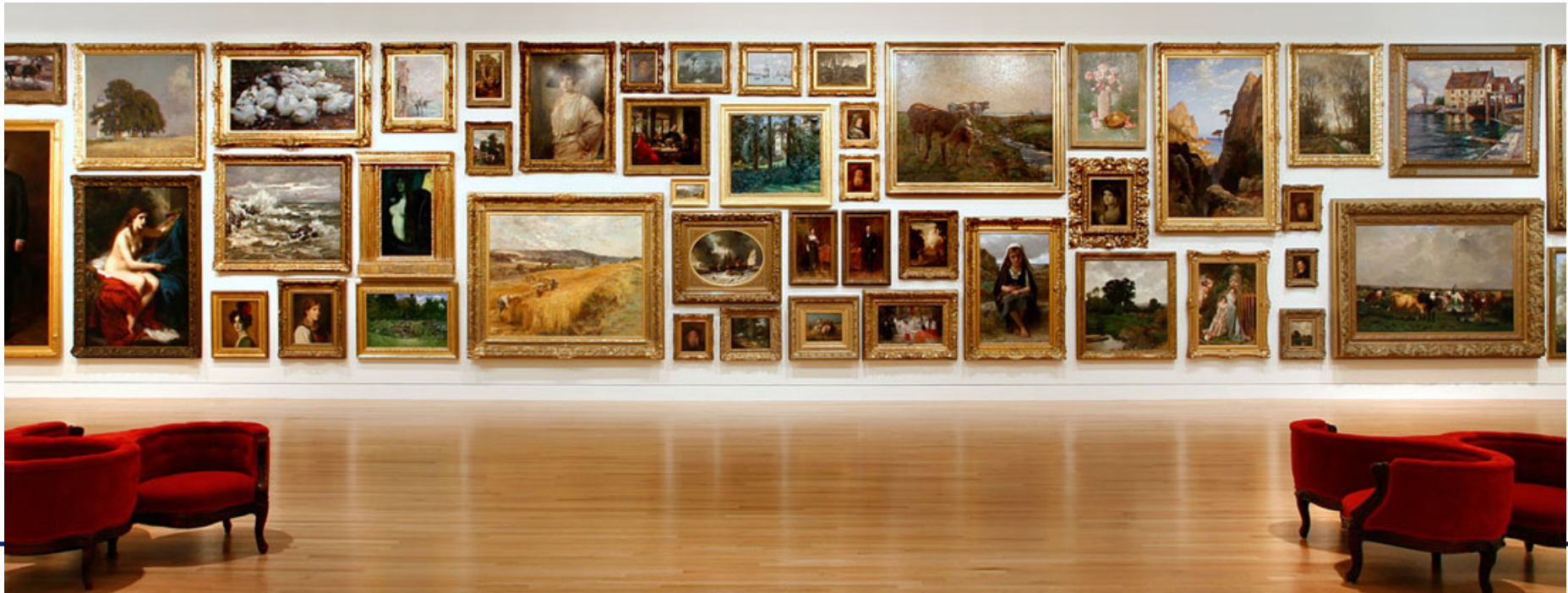
Real Estate Gifts



- Retained Life Estate
 - House or farm property
 - Donor signs a deed irrevocably transferring remainder interest after their death to charity
 - Donor gets charitable income tax deduction for present value of remainder interest based on appraised value of the property
- Charitable Remainder Trust
 - Works especially well for real estate- Flip trust
 - Donor can serve as initial trustee to avoid time and expense of charitable due diligence

Tangible Personal Property Gifts

- Related Use Property
 - Income tax deduction at market value (appraised value)
- Non-related use
 - Income tax deduction is based on tax basis
- Consider with CRT despite the limited deduction



IRS Forms related to gifts

- Form 8283- donor will include with their tax return if claiming more than \$500 deduction for property
 - Charity may need to sign to acknowledge (over \$5,000)
- Form 8282- charity files if sells property donated within 3 years of receipt (\$500 or more)
- Appraisal required for gifts over \$5,000 (other than cash or publicly traded stock)

