

# Planned Giving

Part of a Series on Estate Planning Essentials and Ideas

by Kyle A. Sadler, AIF®

For many people, discussing the inevitable is difficult. However, the reality is that everyone will eventually die. Many couples work extremely hard, save diligently and live within their means to sadly, leave this Earth and have their estate ravaged by federal and/or state taxation, or frivolously spent by heirs or even worse, produce squabbles that tear apart their surviving families. All of which are avoidable with some planning for the disposition of their assets.

Multiple studies have shown that well over 50% of Americans do not have a will. Compounding that error is information that over 70% of Americans fail to do any estate planning. Lack of planning accounts for more than 50% shrinkage in estates due to taxes, expenses and probate fees. However, an attorney coupled with a competent financial planner can preserve a significant portion of an estate and prevent frivolous spending or family squabbles.

Assuming that you are not part of the above statistics and that your family and loved ones are provided for in your will, what other legacy do you wish to provide? A charitable gift as a part of an estate plan can have advantages for both the donor and the recipient.

Many people think that charitable giving is only for the wealthy; however, money spends the same whether from wealthy individuals or from those with only modest means. Granted, the people leaving millions of dollars to charities get to have

their names in the newspapers, but so do the eccentric individuals who leave their estates to their cats.

When donating estate assets, there are 3 ways to pass assets to charities:

- Direct bequest
- Beneficiary of an insurance policy, annuity or savings plan such as an IRA
- Beneficiary of a trust formed before or after the death of the donor

These three methods are lesser known but can be advantageous to the person donating and the organization. “Why would this be the advantageous to the donor?” In a word—taxes.

A direct bequest is gift put into the will that directs the executor to pass to a charitable organization a specific amount of money, or a percentage of the estate, or an object of value. This generates a tax deduction for the donor’s final return and could be used to lower the estate’s value below the taxable level for state or federal estate tax. The donor also may provide some direction about how the gift will be spent.

Retirement plans such as IRA’s, 401k’s, 403b’s and even Life Insurance policies provide one of the easiest ways of planned giving. Most of these plans allow percentages for beneficiaries. By naming a charitable organization as a beneficiary, the donor’s estate avoids probate and the organization is responsible for the taxable

portions of the gift. (Most life insurance is non taxable, but traditional IRAs, 401ks and 403bs are funded with pre-tax dollars.)

For those fortunate enough to have estates approaching federal and state estate tax thresholds, the establishment of various kinds of trusts are a major means of preserving assets, whether through legacy planning for heirs or charitable organization. An attorney and a tax professional are essential to this type of planned giving. The current federal estate tax exclusion is set at \$5.25 million, but most advisors recommend trust planning when the estate exceeds as little as \$2 million. Of the many charitable trusts available, a common type of trust is a Charitable Remainder Trust. This type of trust allows a person to donate a predetermined amount to the trust. After which time, the trust will make distributions to themselves (while still living) and/or to the beneficiaries for a period of time stated within the trust. After this time period has expired, the remainder of the trust is then granted to the charity designated in the original trust document.

When mentioning planned giving to people the response is, "Oh, my donation would be too insignificant and not worth the foundation's time." I have personally called to thank individuals that have donated \$25 to the foundation which I work with because we recognize that every dollar counts when it is regarding our children's education and future. When 10, 100, or even a 1000 people donate only \$25 what might feel individually insignificant, just became very significant. I implore you not to think that your donation to any charity in any amount would ever be insignificant. But if an organization makes you feel as if it is, there are many others that would graciously accept your gift and serve as an alternative.

There are many avenues to pursue to preserve an estate and pass on legacies. Whether it's through a charitable trust or a simple bequest that provides peace of mind for the donor please include some form of planned giving in your estate plan.

The author, Kyle A. Sadler, AIF®, has worked in the financial industry for close to 20 years. In addition to being the president of Precept Wealth Management, he also serves as an executive board member of the Aldine Education Foundation along with being a volunteer with other non-profit organizations and his home church. Kyle has established a team of deliverables that can assist any non-profit in developing solutions to organizational and financial needs. For questions concerning estate planning, charitable giving and the information provided in this article please contact Kyle A. Sadler at (281) 973-9290.

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