Major gifts of assets in the aftermath of Covid-19

The way forward

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Texas Tech University
Major gifts of assets

Why? Why focus on major gifts of assets?

How? How can we raise these gifts now (simple version and complex version)
Why not just use the easy button?

Asking for cash is easier

- You don’t need the hassle
- You don’t need to help your donors; someone else will
- You don’t need to put in the hard work to become a competent advisor, learn new things, and provide value to donors

But asking for assets makes sense because...
1. Because a drop doesn’t mean it isn’t still worth more than you paid for it
2. Because not everything is lower than Jan 1, 2020

- Gold YTD return: 12.68%
- NCREIF Farmland property index 2020 Annual Total +3.98%
- WalMart, Amazon, Pharmaceuticals, Clorox are also big winners so far
3. Because there are special one-time opportunities for 2020 in the U.S.

- May § 7520 interest rates are the lowest in history
- Can eliminate 100% of income with charitable deductions
4. Because that’s where the wealth is
Financial assets held by families (U.S. Census 2017)

1%-3%

97%-99%

- Other financial assets (stocks, bonds, retirement accounts, life insurance, mutual funds)
- Cash: Checking, savings, money market deposit accounts, and similar
5. Because it changes the reference point for the gift
Wealth is not held in cash. It is held in noncash *assets*.

If you are asking from the cash bucket, you are asking from the *small* bucket.
Asset gifts feel relatively smaller

“For a wealthy donor, asking for the same gift from assets (where it constitutes a tiny share) rather than from income (where it constitutes a much larger share) may reduce the relative perception of financial loss.”

Asset gifts remind us of our wealth

Shoppers entering Broadway Market in Cambridge, MA: Would you like to participate in an experiment and receive this free chocolate bar?

Randomly assigned to answer questions

What’s in your wallet/purse? Cash? Credit cards? ...

Do you own stocks? Bonds? Certificates of deposit? ...

Spent 36% more

People who feel wealthy act charitably

The strongest predictor of donation amount was subjective feelings about one’s wealth, not its objective adequacy.

Relative comparisons change this feeling. Making college students feel richer by having them report their savings on a scale ranging from $0 to $500 rather than $0 to $50,000 increased subsequent donations.


6. Because it makes wealth donation-relevant
People attach labels to financial assets and then treat them differently.

When a donor makes a gift of a noncash asset, the donation experience can re-categorize that asset class as appropriate for future charitable consideration.
Labeling assets as donation relevant

Expanding the total number of budget categories for which a particular charitable donation was arguably relevant increased donations.

7. Because people are more generous with appreciated assets
Irregular unearned gains – like appreciated assets – generate more giving

People are more likely to spend irregular unearned gains (vs. regular earned income) on luxury goods in general (O’Curry, 1999) and charitable donations in particular (Reinstein & Reiner, 2012; Konow, 2010).

Framing a donation as an exceptional event removes it from comparison with regular disposable income budget items and increases giving (Sussman, Sharma, & Alter, 2015).

Reminders of cash promote independence and exchange motives, reducing willingness to help and to make donations.


In contrast, gifts of objects are common in social relationships and emphasize communal norms rather than self-interested exchange relationships and exchange norms.

8. Because it changes the fundraiser relationship
Fundraiser technical sophistication

- Organizations promoting and receiving non-cash gifts, especially complex gifts, are more likely to develop technically-skilled fundraisers.

- This greater level of financial knowledge changes the relationship from "asking" to "advising" and this leads to long-term fundraising growth.
Reflect real “donor-centeredness”

- Nonprofits promoting non-cash gifts are willing to increase their hassle (*cash is easier for the charity*) to benefit the donor (*gifts of appreciated assets are cheaper for the donor*)
- Action, not just talk
Appreciated asset gifts are objectively cheaper.

Donors can give more at the same net cost.
Appreciated asset gifts are objectively cheaper

Tax deduction + Avoid capital gains tax

Tax deduction only
Asset gifts are cheaper for itemizers

**$100k Cash**

- Donor: Income tax deduction ($100,000 x 37%) = $37,000
- Nonprofit: Costs $63,000

**$100k Stock**

- Donor: Avoid capital gains ([$90,000 x 23.8%]) = $21,240
- Nonprofit: $37,000 + $21,240 = $58,240
- Costs $41,760
9. Because if you don’t, someone else won’t – at least not how you want it

- Financial advisors are compensated based on assets under management (AUM).
- AUM increases with charitable instruments that do not deliver benefit to charities for a very long time.
- Donor advised funds, private foundations, and charitable remainder trusts that pay to them increase AUM.
10. Because it drives long-term fundraising growth

5-year average growth in total fundraising (2010 to 2015)

**NONPROFITS receiving ONLY CASH gifts**
- 2,548 nonprofits raising $1MM+ in 2010 reported only cash gifts in 2010 & 2015 on e-file IRS-990

**NONPROFITS receiving ANY NONCASH gifts**
- 4,236 nonprofits raising $1MM+ in 2010 reported noncash gifts in 2010 & 2015 on e-file IRS-990

**NONPROFITS receiving SECURITIES NONCASH gifts**
- 2,143 nonprofits raising $1MM+ in 2010 reported securities gifts in 2010 & 2015 on e-file IRS-990
5-year average growth in total fundraising
(2010 to 2015)

**NONPROFITS receiving ONLY CASH gifts**

- 2,548 nonprofits raising $1MM+ in 2010 reported only cash gifts in 2010 & 2015 on e-file IRS-990
- **11% GROWTH**

**NONPROFITS receiving ANY NONCASH gifts**

- 4,236 nonprofits raising $1MM+ in 2010 reported noncash gifts in 2010 & 2015 on e-file IRS-990
- **50% GROWTH**

**NONPROFITS receiving SECURITIES NONCASH gifts**

- 2,143 nonprofits raising $1MM+ in 2010 reported securities gifts in 2010 & 2015 on e-file IRS-990
- **66% GROWTH**
3-year average growth in total fundraising

<table>
<thead>
<tr>
<th>NONPROFITS receiving ONLY CASH</th>
<th>NONPROFITS receiving ANY NONCASH</th>
<th>NONPROFITS receiving SECURITIES NONCASH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Total Fundraising</td>
<td>Average Total Fundraising</td>
<td>Average Total Fundraising</td>
</tr>
<tr>
<td>Years</td>
<td>Growth</td>
<td>Years</td>
</tr>
<tr>
<td>‘10-‘13 = 5%</td>
<td>‘10-‘13 = 34%</td>
<td>‘10-‘13 = 44%</td>
</tr>
<tr>
<td>‘11-‘14 = 1%</td>
<td>‘11-‘14 = 30%</td>
<td>‘11-‘14 = 42%</td>
</tr>
<tr>
<td>‘12-‘15 = 2%</td>
<td>‘12-‘15 = 30%</td>
<td>‘12-‘15 = 39%</td>
</tr>
<tr>
<td>‘13-‘16 = 0%</td>
<td>‘13-‘16 = 25%</td>
<td>‘13-‘16 = 33%</td>
</tr>
<tr>
<td>Nonprofits reporting</td>
<td>Only cash</td>
<td>Any noncash</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td>$100K to</td>
<td>$500K to</td>
</tr>
<tr>
<td></td>
<td>&lt;$500K</td>
<td>&lt;$1MM</td>
</tr>
<tr>
<td>only cash</td>
<td>56%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>[n=9168]</td>
<td>[n=2397]</td>
</tr>
<tr>
<td>any noncash</td>
<td>137%</td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>[n=2278]</td>
<td>[n=1373]</td>
</tr>
<tr>
<td>securities</td>
<td>400%</td>
<td>176%</td>
</tr>
<tr>
<td></td>
<td>[n=114]</td>
<td>[n=187]</td>
</tr>
</tbody>
</table>

Nonprofits reporting only cash contributions in 2010 & 2015 on e-IRS 990s

Nonprofits reporting any noncash contributions in 2010 & 2015 on e-IRS 990s

Nonprofits reporting securities contributions in 2010 & 2015 on e-IRS 990s
What happens IN THE SAME YEAR when gifts shift from cash to assets?

When share from
CASH GROWS
by +10%
total contributions fall by
-13%

When share from
SECURITIES GROWS
by +10%
total contributions grow by
+18%

When share from
REAL ESTATE GROWS
by +10%
total contributions grow by
+26%

Fixed effects regression analysis of the 761,876 e-filed IRS Form 990s reporting positive contribution amounts from 205,696 organizations in 2010-2016.
<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-publicly-traded securities, Real estate</td>
<td>Helps a lot</td>
</tr>
<tr>
<td>Publicly-traded securities</td>
<td>Definitely helps</td>
</tr>
<tr>
<td>Historical art &amp; artifacts</td>
<td>Helps</td>
</tr>
<tr>
<td>Art, Drugs, Cars, Boats, Household Goods,</td>
<td>Helps a little</td>
</tr>
<tr>
<td>Uncategorizined Books, Food, Collectibles,</td>
<td>Doesn’t help</td>
</tr>
</tbody>
</table>

For nonprofits already reporting substantial noncash gifts, same year effect of a 10% ratio shift (asset type/total giving) helps gifts from larger asset types have more impact.
How can we raise these gifts now? (simple version)
Crisis is the time to show support

- A social/friendship/family relationship encourages sharing
- A transactional/market/exchange relationship does not
- When you might be in trouble, a good friend is one who reaches out to help
- Ideally, the first contact with donors in a time such as this should begin with concern
“The family is doing well. We’ve just had a lot of enforced family togetherness.
I’ve still been busy for work, mostly talking to people about how to give smarter with all this market volatility and the new tax benefits.
So, it hasn’t slowed down.”

...mostly working with the leadership trying to plan how to rebuild after taking the hit from the season being cancelled.
Crisis Creates Opportunities for Donor Heroism

• During a fire, heroism is limited to rescuing people or putting the fire out
• But after the fire, heroism will be about the choice to rebuild
• Some nonprofits will never recover from this hit
• Some will rebuild stronger
• The difference will depend on donor heroism. When the time is right, give your donors the chance to be heroes!

Kraft cheered for bringing in masks on Patriots team plane to fight coronavirus

by Travis Andersen and Dan Adams Globe Staff Updated April 2, 2020, 8:02 p.m.

Kraft cheered for bringing in masks on Patriots team plane to fight coronavirus

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One-time special requests work well, but be careful with a crisis

• In fundraising experiments, people are more willing to donate in response to a special, one-time need than for ongoing needs.

• However, it is important in such appeals to identify the crisis as a crisis for beneficiaries or for the cause, not an organizational crisis.

Use planned gifts and your plan B

- If a donor needs to back away from a commitment or feels that a gift today is too daunting, consider a planned gift as a “plan B”
- Planned giving opportunities can help “lean into” this uncertainty
- Legacy gifts are revocable, can vary with ups and downs as a percentage of the estate, and take place after we no longer need the money
- In the U.S., irrevocable planned gifts can also help with financial uncertainty
“I certainly understand your concerns, I know others in your same situation who have decided to move their commitment into an estate gift for now. This provides flexibility with no upfront cost. There are even ways to do it that provide tax benefits. Would you be interested in learning more about these options?”
Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study

Annual Charitable Giving in Constant (Inflation Adjusted) 2012 Dollars

- $4,210 average annual giving pre-plan
- $3,171 average annual giving increase
- $7,381 average annual giving post-plan

Before -8 years, Before -6 years, Before -4 years, Before -2 years, Mixed, After +2 years, After +4 years, After +6 years, After +8 years
The Oblique Conversation

So, what’s new at Texas Tech?

1. ... new coach ...
2. ... new building ...
3. Oh, and Mary Smith did a neat thing. Did you know Mary? She graduated two years before you... No? Well, Mary spent her career helping other people get their finances in order. She recently signed a new will that one day will endow a permanent scholarship for our financial planning students.

Concept from Jeff Comfort, Oregon State University
A simple way to ask from the big bucket...
No need to change your portfolio!

The Charitable Swap

- $100K new stock (high basis)
- $100K old stock (low basis)
- Nonprofit

Donor

$100K cash

immediately buy identical stock (100% basis)

No “wash sale” rule because this is gain property, not loss property
The Charitable Swap with a DAF

Donor

$100K old stock (low basis)

immediately buy identical stock (100% basis)

$100K new stock (high basis)

$100K cash

Donor Advised Fund

$100K old stock (low basis)

immediately buy identical stock (100% basis)

$100K new stock (high basis)

Donor Advised Fund
What predicts who will donate noncash assets?

1. High Income
2. High Education
3. Age 65+

No significant differences for gender, other age distinctions, marriage, childlessness, African-American, Caucasian, Asian.
Tax incentives matter more

1. Giving cash to education was 2x more responsive to tax price than giving cash to religion

2. Giving stocks, bonds, or mutual funds to any charity was 10x more responsive to tax price than giving cash to education
How to talk about gifts of assets
Should you mention tax benefits?
Social Desirability Bias

People report socially-approved motivations

Other motivations must be tested, not self-reported
Avoid capital gains tax by making a gift of stocks or bonds to a charity. Make a gift of stocks or bonds to charity.

Mentioning tax deductions increases charitable interest

Interested Now

Will Never Be Interested

20%

17%

14%

23%

1,006 Respondents Groups X/Y

Random assignment

Mentioning tax deductions increases charitable interest

<table>
<thead>
<tr>
<th>Interested Now</th>
<th>Will Never Be Interested</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>50%</strong></td>
<td><strong>8%</strong></td>
</tr>
<tr>
<td><strong>33%</strong></td>
<td><strong>14%</strong></td>
</tr>
<tr>
<td><strong>31%</strong></td>
<td><strong>20%</strong></td>
</tr>
</tbody>
</table>

**Random rotating assignment**

Receive a tax deduction and make a gift that pays you income for life.

Make a gift that pays you income for life and receive a tax deduction.

Make a gift that pays you income for life.

1,904 Respondents
Groups D/E/F

Mentioning tax deductions increases charitable interest

<table>
<thead>
<tr>
<th>Interested Now</th>
<th>Will Never Be Interested</th>
</tr>
</thead>
<tbody>
<tr>
<td>definitely/somewhat/slightly</td>
<td></td>
</tr>
<tr>
<td><strong>26%</strong></td>
<td><strong>23%</strong></td>
</tr>
</tbody>
</table>

**Immediately receive a tax deduction for 70% of the value of a house or land by** making a charitable gift of the property, but keeping the RIGHT TO USE it for the rest of your life.

**12%**

Make a charitable gift of either a house or land, but keep the RIGHT TO USE for the rest of your life and immediately receive a tax deduction for 70% of the value of the property.

**33%**

Make a charitable gift of either a house or land, but keep the RIGHT TO USE it for the rest of your life.

**42%**

1,826 Respondents, Groups F/B/D


Mentioning tax deductions increases charitable interest
Random rotating assignment

**Interested Now**

- Get an immediate tax deduction by making a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.
- Make a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.

**Will Never Be Interested**

- Will Never Be Interested
- Will Never Be Interested
- Will Never Be Interested
- Will Never Be Interested

**1,782 Respondents, Groups E/A/C**


Mentioning tax deductions increases charitable interest.
Best phrasing to describe tax benefits
<table>
<thead>
<tr>
<th>I might be/am definitely interested</th>
<th>Please rate your level of interest in clicking on the button to read the corresponding information.</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>Avoid taxes by giving stocks</td>
</tr>
<tr>
<td>%</td>
<td>How to avoid taxes by giving stocks</td>
</tr>
<tr>
<td>%</td>
<td>Save taxes by giving stocks</td>
</tr>
<tr>
<td>%</td>
<td>Tax tips when giving stocks</td>
</tr>
<tr>
<td>%</td>
<td>Avoiding capital gains taxes by giving stocks</td>
</tr>
<tr>
<td>%</td>
<td>Giving stocks</td>
</tr>
</tbody>
</table>
28% Avoid taxes by giving stocks
27% How to avoid taxes by giving stocks
25% Save taxes by giving stocks
24% Tax tips when giving stocks
24% Avoiding capital gains taxes by giving stocks
16% Giving stocks
Mentioning tax benefits works, but it isn’t “the reason”
How can I convince the board this is important?

What's a compelling argument?
<table>
<thead>
<tr>
<th>Room for growth at Texas Tech University?</th>
<th>2017 Texas Tech Foundation</th>
<th>2017 Iowa State University Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contributions</td>
<td>$70,971,175</td>
<td>$182,944,883</td>
</tr>
<tr>
<td>Noncash contributions</td>
<td>$7,475,636</td>
<td>$109,538,183</td>
</tr>
<tr>
<td>Noncash share</td>
<td>10.5%</td>
<td>59.9%</td>
</tr>
<tr>
<td>Publicly traded securities</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Closely held securities</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Partnerships, LLC, trust interests</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Miscellaneous securities</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Residential real estate</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Art</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Historical Art</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Books</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Collectibles</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Historical Artifacts</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Other-Grain, Gold, Life Insurance</td>
<td>1 gift</td>
<td>102 gifts</td>
</tr>
</tbody>
</table>
Accepting noncash gifts is safer today

- Using DAFs that accept any asset type
- Using new instruments like the single-asset LLC
How can we raise these gifts now? (complex version)
Charitable Gift Annuities

The hot new item?
Payments are a fixed obligation of the charity, regardless of market events.
Example donor ages & rates

April 2020, American Council on Gift Annuities

<table>
<thead>
<tr>
<th>Age</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>2.8%</td>
</tr>
<tr>
<td>40</td>
<td>3.3%</td>
</tr>
<tr>
<td>45</td>
<td>3.5%</td>
</tr>
<tr>
<td>50</td>
<td>3.7%</td>
</tr>
<tr>
<td>55</td>
<td>4.0%</td>
</tr>
<tr>
<td>60</td>
<td>4.3%</td>
</tr>
<tr>
<td>65</td>
<td>4.7%</td>
</tr>
<tr>
<td>70</td>
<td>5.1%</td>
</tr>
<tr>
<td>75</td>
<td>5.8%</td>
</tr>
<tr>
<td>80</td>
<td>6.9%</td>
</tr>
<tr>
<td>85</td>
<td>8.0%</td>
</tr>
<tr>
<td>90+</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

Rates will drop on July 1. Motivate donors to act now!
I want income that won’t change (CRUT or PIF) or run out (CRAT)
Large charitable gift annuity use increased following market volatility

A charitable remainder annuity trust backed by donor’s initial investment

A charitable gift annuity backed by all assets of a large charitable institution

Yale University

American Red Cross
“I certainly understand your concerns. I know others like you who have decided instead to make a gift that gives them lifetime income. With interest rates being so low and the market being so volatile, many people like the fixed payments coming from a charitable gift annuity. Would you like to learn more about this?”
“I certainly understand your concerns. Another donor was in your same situation and she decided to protect against this volatility by making the gift in two stages. First, she made a gift that gave her annual payments for life. If things go downhill, she has this income. But, if everything turns around and she ends up not needing the extra money, then she could donate those future payments as a second gift.”

A charitable gift annuity as a two-stage gift
If funded with cash, the income tax deduction can eliminate 100% of income in 2020. (Connect with me on LinkedIn for the full paper on this.)

If the donor can’t use charitable tax deductions, lower interest rates are better for CGAs because a larger share of the annual payments will be considered as tax-free return of the original investment.
Where new CGA gifts grew +50% or more 2013-2017

26 organizations in ACGA surveys

+50%

Where new CGA gifts fell -50% or more 2013-2017

40 organizations in ACGA surveys

-50%
Where new CGA gifts grew +50% or more 2013-2017

Share of CGA gifts from cash fell by 24%
Avg contract size grew by $122,000

Where new CGA gifts fell -50% or more 2013-2017

Share of CGA gifts from cash rose by 4%
Avg contract size fell by $47,000
Testing Charitable Gift Annuity Ad Messages


People **like me** do things like this
What “you” would do or what another donor has done?

You make a gift and receive a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of your life.

Interested Now
Definitely/somewhat/slightly

All: _____%
55+: _____%

Gift Annuity

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

All: _____%
55+: _____%

Gift Annuity

Please rate your interest in pursuing the above described charitable giving arrangement
What “you” would do or what another donor has done?

You make a gift and receive a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of your life.

Gift Annuity

Interested Now
Definitely/somewhat/slightly

All: 33.5%
55+: 23.2%

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

All: 38.6%
55+: 38.6%

Please rate your interest in pursuing the above described charitable giving arrangement.
Please rate your interest in pursuing the above described charitable giving arrangement: % Interested now (definitely/somewhat /slightly)

All: ___%  
55+: ___%
Please rate your interest in pursuing the above described charitable giving arrangement: % Interested now (definitely/somewhat /slightly)

All: 38.6%
55+: 38.6%

All: 31.1%
55+: 29.8%
What’s the problem with the donor picture? Is it just this photo? This donor age? Is it photos in general or what?
Interested now (definitely/somewhat /slightly)

<table>
<thead>
<tr>
<th>55+</th>
<th>35-54</th>
<th>U-35</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>______%</td>
<td>______%</td>
</tr>
</tbody>
</table>

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.
<table>
<thead>
<tr>
<th>Age Group</th>
<th>Interested (definitely/somewhat/slightly)</th>
</tr>
</thead>
<tbody>
<tr>
<td>55+</td>
<td>24.4%</td>
</tr>
<tr>
<td>35-54</td>
<td>38.4%</td>
</tr>
<tr>
<td>U-35</td>
<td>44.5%</td>
</tr>
</tbody>
</table>

People like me do things like this.
How do these compare with text only or a non-donor photo?
Similar [dissimilar] age donor photos did better [worse] than text only or non-donor photo

Why?

The association was completely explained (mediated) by the answer to one question...
How much do you identify with Sara?

□ She is not at all like me
□ She is not really like me
□ She is a little bit like me
□ She is somewhat like me
□ She is a lot like me

People like me do things like this
Retained Life Estates & Remainder Interests in Homes and Farms
A remainder interest gives the right to own the property after a set time or after the death of a person.
Unlike a will, a remainder interest is not revocable, and can even be sold.
A deductible remainder interest in farmland or a personal residence must be transferred by deed, not by trust or contract.
Charitable deduction for remainder interest deed with retained life estate in $1,000,000 of farmland by age 55 donor

You can use the tax savings to buy life insurance for heirs who weren’t going to farm anyway.

11.6% (May 89)  $122,350

0.8% (May 20)  $818,530
Leaving land to charity by will

- Revocable
- $0 tax deduction
- Impacts charity after death

Leaving land to charity by remainder deed

- Irrevocable
- Immediate income tax deduction
- Impacts charity after death or immediately if charity sells remainder interest
- Immediately increases cash assets available for income producing investments
Gifts of a remainder interest with retained life estate in the donor’s personal residences can also be deducted.
Includes second homes, vacation homes, even a boat with bathroom, cooking, and sleeping facilities, if used by the donor as a residence.
No Required Minimum Distributions for 2020, but you can still give up to $100,000 with QCDs!

- IRAs or IRA rollovers only; no 401(k), 403(b), SEP, SIMPLE, pension or profit sharing plans
- Participant 70 ½ or older
- $0 income
- $0 deduction
- No private foundations, donor advised funds, charitable trusts, or charitable gift annuities

$max of$10,000 per person maximum

$100,000, $10,000
Non-Grantor Charitable Lead Trust
Donor gives money from which charity receives payments, with remaining amount going to family members.
Using non-grantor Charitable Lead Trusts to cut gift and estate taxes
Gift taxes are paid on the present value of the 
PROJECTED remainder going to the heirs

Gift taxes are not paid on the ACTUAL remainder that eventually goes to the heirs
If the **ACTUAL** amount is higher than the **PROJECTED** amount, this part goes to heirs tax free.
The **PROJECTED** remainder assumes investment growth at the **INITIAL** §7520 rate.

If actual growth is greater than the §7520 rate, the **ACTUAL** remainder will be greater than projected.
If actual growth is 8%, the ACTUAL remainder will be $21,758,079.

The PROJECTED remainder of $10MM at 0.8% §7520 with $543,060/year charitable payments for 20 years is $0, resulting in $0 gift taxation.

Projected Value of Remainder

Donor

Initial Transfer

Anything Left Over

Donor’s heirs

Payments for Life/Years

Charity
If the charitable gift (or bequest) was already planned, the zeroed-out CLAT (or zeroed-out testamentary CLAT) provides a no cost chance at tax-free transfers to family.
Non-Grantor CLT pays income taxes but deducts charitable distributions usually without income limitations.

(Non-Grantor) CLT taxed on income

Donor

Initial Transfer

Payments for Life/Years

Charitable deductions to CLT with no income limitations

Donor’s heirs

CLT can also pay out any income in excess of annuity or unitrust amount

Charity

Non-Grantor CLT pays income taxes but deducts charitable distributions usually without income limitations.
Grantor CLT

Donor immediately deducts present value of all future projected payments to charity

Donor → Initial Transfer → CLT (Grantor) → Payments for Years or Life → Anything Left Over → Charity
Funding $10,000/year gifts through a 20-year grantor CLAT (returning remainder to donor) creates an immediate deduction of

• **$184,142 at 0.8% §7520 rate**

• **$98,181 at 8% §7520 rate**

See iclat.net
The way forward

Major gifts of assets in the aftermath of Covid-19

Please connect with me on LinkedIn!

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