Smart Money

Community Foundation News for Advisors

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Winter 2016

Year End Giving Tips

Earlier is better. Beat the year-end rush by sending gifts early. Also, more complex gifts, such as an IRA distribution or a gift of stock, may take longer to process, so please allow enough time.

Notify us when transferring stock. It is important to contact us when donating securities so that we may credit the gift appropriately. Also, please disclose the client's name when transferring the shares so we can identify them easily.

Use our online resources. Using our website, **cnycf.org**, donor-advised fundholders can make grant suggestions, replenish a fund, access our stock transfer form, and much more.

Dates to Know: Gifts credited for 2016 tax returns must be delivered to the Community Foundation by 4:30 p.m. on December 31, postmarked on or before December 31, or given online by 11:59 p.m. on December 31.

Incorporating Charitable Planning in My Client Work *by Grace Ghezzi*

Grace B. Ghezzi, CPA/PFS/CFF, CFP®, CFE, AEP® is a board member of the Community Foundation, and owner of Grace B. Ghezzi Consulting, LLC. In the article below, Grace provides some guidance on incorporating charitable giving into financial plans.

Financial planning professionals like me often stress the tax benefits of charitable giving. I have found that charitable givers (including my clients) do not give solely for tax reasons; they give because they care. The key is how we move individuals from caring to donating. Here are some lessons learned from my career working with charitable clients on their financial, tax and estate plans.

- **We need to help our clients think about all the possibilities:** I believe that it is our responsibility as professionals to ask clients about their charitable intentions. Many think that they will only have enough in their estate for family. Ask them, "What if your family ended up with more than you expected? What if you didn't jeopardize your own retirement income? Are there charities you want to support in that case?" Most individuals will entertain further discussion when approached in this manner. The plan can also be built to accommodate if there is less than expected in the estate.
- **There will be signs that a client is charitable:** Most tax returns contain signs of charitable intent, including things like itemized deductions and qualified charitable distributions from IRAs. Advisors will also see charities listed in beneficiary designations.
- **Different goals require different solutions:** If the goal is retirement income, we may suggest a charitable remainder trust or charitable gift annuity, since these provide income for life or a stated number of years. If it is income tax savings, perhaps a donor-advised fund or gift of appreciated securities enters into the discussion to achieve a higher tax deduction.
- **Increased income can lead to a change in giving:** There may be a one-time taxable event such as a Roth conversion or sale of a business that warrants an up-front deduction. By giving more in the year that a client has a higher marginal tax bracket, more tax savings can be achieved.
- **Giving during life can have advantages:** It is also important to explore the added income tax savings from giving during one's lifetime as opposed to giving at death. For example, a charitable remainder trust gives the client a deduction in the year the trust is created and funded, and the charity receives the remainder at the end of the trust.
- **Choosing the right assets for heirs and charity:** We have a duty to assist our clients in identifying and meeting their financial goals, and selecting the appropriate asset to fund each part of the plan is important. For example, an IRA, which is "income in respect of a decedent" (or, "IRD") and taxable to people, is much better left to a charity which is tax exempt. Also, a life insurance policy could be used to ensure the heirs get at least a certain amount from the estate, and could be structured to eliminate income tax, estate tax and probate on the death benefit.

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Contact Us

Our development team is available to assist you with the information and tools that help your clients achieve their charitable goals.

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Incorporating Charitable Planning in my Client Work

- **Bring in the planning team:** Once a planning suggestion is attractive to the client, it is time to confer with their other professionals before implementing. The CPA should prepare a tax projection to determine the impact on income tax liability for the current and future affected years. The estate planning attorney should create or revise applicable estate planning documents. The insurance agent should update any policy ownership or beneficiary designations. The investment advisor should assist regarding what holdings should be used to fund the chosen charitable vehicle. Also, I have frequently used the Community Foundation as a resource for all aspects of the charitable planning discussed above.
- **Working together to benefit the client:** It is preferable for all advisors to meet together to ensure that they all understand their roles, that the client understands the plan, and that everything gets executed properly. Employing these concepts with clients can create the momentum to explore the client's goals and actions in a whole new light. I encourage you to connect with the Community Foundation to find out how they can help you and your practice.

To learn more about the many options for charitable planning, go to www.5forcny.org or contact Tom Griffith, Director of Gift Planning at tgriffith@cnycf.org or 315-422-9538.