COMMUNITY GIVING FOUNDATION'S

PROFESSIONAL ADVISOR NEWSLETTER

csgiving.org/professional-advisors

Numbers talk and the benefits of flexible funds for bequests and future giving.

Happy spring from the Community Giving Foundation! As the weather warms up and people begin to venture outside, your clients' already busy schedules start to get even busier. Even if your clients are templted to log off and enjoy the sunshine, we encourage you to help them stay the course. Your clients' 2024 financial and estate planning goals are important, and now is the time to start tackling those strategies, especially after the tax season dust settles. In this issue, we're covering three resources that can help you counsel your philanthropic clients:

- No matter what words you use to express the advantages of giving appreciated assets, it can be hard for clients to truly hear it. Consider showing clients—using numbers and examples—that it really is better to support favorite charities by giving appreciated assets instead of cash. We are here to help!
- Help your clients get ahead in their estate planning by leaning into the flexibility and benefits of a fund at the Community Giving Foundation, including your clients' ability to leave permanent legacies to support the community for generations to come.
- There's lots going on in the world of charitable giving! We have curated several articles that are worth reading if you'd like to dig deeper into springtime issues that are trending in philanthropy circles.

As always, we appreciate the opportunity to serve as your partner in charitable giving.

Alyssa Meyers-Sanonu, Foundation Director of Philanthropy
570-752-3930 ext. 3 (office) • 570-850-3504 (cell) • ameyers-sanonu@csgiving.org

Gifts of appreciated stock: Let the numbers do the talking.

No matter how frequently you remind clients to pause before they automatically reach for the checkbook to make their charitable gifts, many clients still give cash. As an attorney, accountant, or financial advisor, you are well aware that giving long-term appreciated assets is often one of the most tax-savvy ways your clients can support their favorite charities. Nevertheless, it's sometimes hard to convey that message to clients with words that stick. Next time, consider using illustrations to help clients see the benefits.

Below are three simple examples* to help you show your clients the benefits of giving appreciated stock.

Sally and Bob Jones give $100,000. Sally and Bob plan to give $100,000 to their donor advised fund at the Community Giving Foundation to organize all of their giving for the calendar year. Let's assume Sally and Bob have a combined adjusted gross income of $600,000, which lands them in the 35% federal income tax bracket. If they gave $100,000 in cash to their donor advised fund, they could realize an income tax savings, potentially, of $35,000.

What if instead of giving cash, Sally and Bob gave highly-appreciated, publicly-traded stock, valued currently at $100,000, to their donor advised fund. Let's assume they've been holding the stock for many years, and the shares have a cost basis of $20,000.

Not only are Sally and Bob eligible for a potential income tax deduction that will save them up to $35,000, but they have also potentially avoided $12,000 of capital gains tax that they would have owed if they'd sold the stock (using a long-term capital gains tax rate of 15%). So, it's easy to see why Sally and Bob should consider giving highly-appreciated stock instead of cash.

Jenny and Joe Smith give $1 million. Jenny and Joe Smith plan to give $1 million to community causes this year. They'll do that by adding $500,000 to their donor advised fund at the Community Giving Foundation, which in turn supports their favorite charities. They'll also be making a $500,000 gift to an unrestricted fund at the Foundation to help address the region's greatest needs for generations to come. Let's assume that Jenny and Joe are in the highest federal income tax bracket because they earn multiple seven figures. If they were to give $1 million in cash, they could save, potentially, up to $370,000 in income tax. If they gave publicly-traded stock instead, assuming a $200,000 cost basis in stock valued currently at $1 million, they would still potentially save up to $370,000 in income tax, and they would also potentially avoid $160,000 in capital gains tax (based on a long-term capital gains tax rate of 20%).

Tiffany and Brett Thomas give $5 million. Tiffany and Brett Thomas plan to give a target amount of $5 million to charity as the cornerstone of their overall philanthropy plan. They would like to use publicly-traded stock that they've held for many years, valued currently at $5 million. They would love to receive a lifetime income stream from these assets, so that the remaining assets will flow to their fund at the Community Giving Foundation after their deaths. In this case, you'll explore setting up a charitable remainder trust that pays out an income stream to Tiffany and Brett while they are both living and then to the survivor for the survivor's lifetime.

Let's assume that Tiffany and Brett are both 55 years old. And let's assume that the stock has a very low-cost basis—just $500,000—because they have held it for so long. Depending on the IRS's applicable rates, and assuming a 5% annual payout rate paid at the end of each quarter, here's an approximate tax result if you worked with the Community Giving Foundation to help Tiffany and Brett establish a charitable remainder trust:

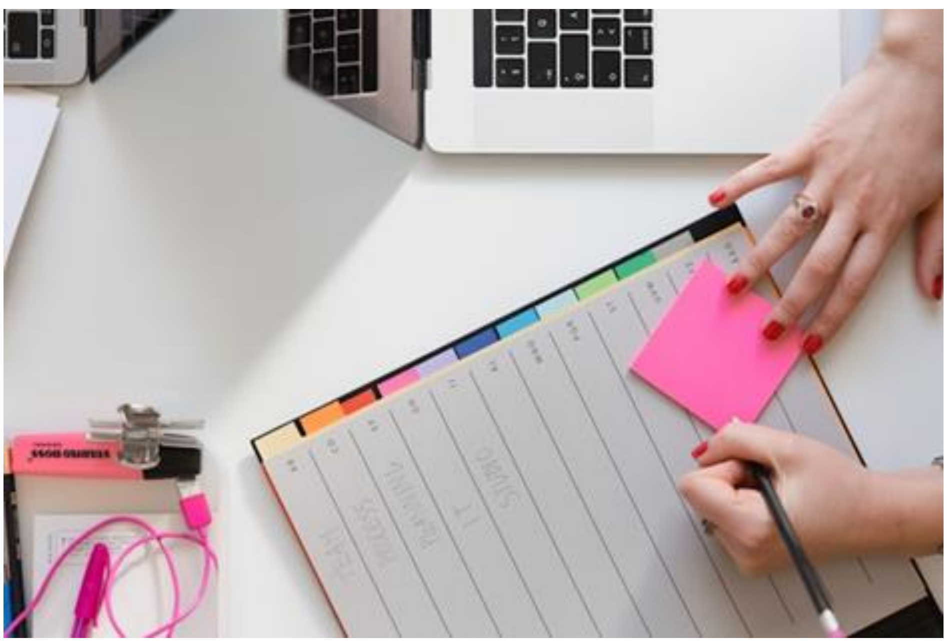
- $1,042,550 approximate potential income tax deduction based on the present value of the gift of the remainder interest to charity.
- $4,500,000 in capital gains that may not be subject to tax.
- $250,000 in total payments during the first year.
- Annual payments of 5% of the value of the assets in the trust, which means the income stream will fluctuate depending on the value of the assets.

Following the death of the survivor of Tiffany and Brett, the remaining assets will flow to the Thomas Family Fund at the Community Giving Foundation, which Tiffany and Brett have already established and which, upon their deaths, will split equally into two funds. The first will be a donor advised fund for which their children will serve as advisors, and the second is an unrestricted endowment fund to support the Foundation’s priority initiatives in perpetuity.

Of course, no client’s circumstances will exactly match those of Sally and Bob, Jenny and Joe, or Tiffany and Brett. The Community Giving Foundation is happy to discuss the various tax-savvy options for charitable giving in any client situation. Please reach out!

**These examples are for illustration purposes only. Every client’s situation is different, and therefore the tax strategy and tax impact will be different for each client. These illustrations are based on federal income tax rates only, and you’ll need to evaluate, among many other factors, the impact of state taxes.*

Handy tools for charitable clients who are planning ahead.



Getting a jump on a future “to do” list is always such a good feeling. The team at the Community Giving Foundation can help you with your clients’ long-term charitable giving plans by putting in place the structures to receive bequests decades from now.

Consider a case where you’re finalizing an **estate plan** for a client who would like to leave bequests to multiple charitable organizations, but the identity of those organizations may be a moving target over the years because of the client’s evolving level of engagement with various charities as a donor, volunteer, or board member. In other words, this client likely will want to make small changes to the estate plan's provisions for charitable giving but leave everything else as is. For example, a client's trust could be drafted to provide that 10% of the remaining estate be divided equally among five charities, which of course could be listed in the trust document. But what if, a few years from now, the client wants to add another charity to that list? Even a small change like this would require an amendment, which can be time-consuming for both attorney and client.

Instead, the client's trust document could name a fund at the Community Giving foundation as the beneficiary of 10% of the remaining estate. Then, the client can work with the Foundation to draft a fund agreement that lists the charities that will share the 10%. When the client wants to add new charities or switch out charities from the list, the client can reach out to the Foundation and execute simple documentation of the client's updated intent for the fund. This process is fast and simple, and it allows clients to ensure that their bequests are in line with ever-changing needs in the community.

In some cases, the client may not intend to use the fund during their lifetime. That's perfectly fine—the Community Giving Foundation can establish a "shell fund" to sit dormant and receive assets only after the client passes away. Your client can still name the fund whatever they'd like, and the shell fund agreement can be modified any time before the client's death.

Please reach out to the Community Giving Foundation to learn how shell funds and other planning tools can help your clients achieve their charitable goals both during their lifetimes and beyond.

Charitable planning: in the spotlight.

As you read up on techniques to structure philanthropy plans for your high-net worth clients, we recommend reviewing the potential impact of the estate tax exemption sunset, as well as making sure you're one of just half of advisors (!) who are truly helping their clients with charitable giving in the first place. The team at the Community Giving Foundation is happy to help you start the philanthropy discussion with clients—we understand that it's not always easy, but it is so important.

The team at the Community Giving Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. Learn more at csgiving.org/professional-advisors. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

Community Giving
FOUNDATION™

The Community Giving Foundation is a 501(c)(3) organization that develops, manages, and distributes funds for charitable purposes in communities across the Central Susquehanna region of Pennsylvania.

725 West Front Street • Berwick, PA 18603 • 570-752-3930 • csgiving.org