

What Is a Gifting Strategy and Why Do You Need One?

~ Elizabeth C. Marshall

When making charitable gifts, it helps to plan ahead.

Making a charitable gift can be as simple as writing and delivering a check to a delighted charitable recipient. It can be as complex and interesting as establishing and operating a private foundation to last through multiple generations of giving. Selecting the right assets to give and timing the transfer of those assets through the preferred gifting strategy benefit both the donor and the recipient charity.

What Kinds of Assets Can You Give? What Are the Benefits to You?

Gifts of cash entitle you to an immediate income tax deduction and enable the charity you select to put the gifts directly to use. Gifts of appreciated stock are often better, since you can take an immediate income tax deduction based on the market value of the stock without paying tax on the appreciation. Your favorite charities can immediately sell the stock tax-free and put the entire sales proceeds to use.

Gifts of assets from your IRA or other retirement accounts can be even better. In recent years, a transfer from an IRA custodian made directly to your charity of choice during your lifetime (without going through your account) is permitted in an amount up to \$100,000 each calendar year, as long as you are at least 70 ½ years old at the time of the transfer. The distribution is not included in your income (and no charitable deduction can be taken), but the gift counts toward your required IRA minimum distribution without increasing your taxable income for that year. The charity can put the gift to immediate use without paying income taxes on the gift. Another important aspect of this kind of gift is that upon your death, a charity that receives the IRA proceeds by beneficiary designation can put the gift to immediate use without paying income taxes on the gift. Your estate can take an estate tax charitable deduction for the value of the gift. You can leave other assets to family members and friends—assets that do not carry an income tax liability (in contrast to distributions from an IRA, which trigger an income tax liability to the individual beneficiary). The availability of this gifting technique was extended by Congress each year for several years but is now a permanent part of the law.

Gifts of real estate, artwork, treasured collections, and more unusual types of assets can, if planned and executed properly, benefit both you and the recipient charities. In these cases, prior communication with the recipient charities regarding their gift acceptance policies is an essential part of the planning. Gifts of life insurance, designating charitable beneficiaries, are an easy way to complete a lifetime of giving by making a generous testamentary gift. Your estate can take an estate tax charitable deduction, and the charity can put the proceeds to immediate use.

Timing Your Gifts

The timing of a gift is also important. Making a gift early in the calendar year secures the income tax benefit to you. Also, in the event of your death during the year, there would be a reduction in your estate tax liability. On the other hand, if you make a gift late in the year, it can allow you to review your income tax exposure and plan an offsetting gift. You can also work closely with your tax advisors to time a charitable gift so that you make it within the same calendar year as a major income-producing event, such as the sale of your business or other significant asset.

Many Floridians who update their estate plans during the winter and spring make gifts during these months to secure these benefits for themselves and to meet their philanthropic goals. The Sarasota community benefits tremendously from the generosity of many of these gifts from both identified and anonymous donors. Developing an effective gifting strategy can make a positive and significant impact for all of us.



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She counsels individuals in estate planning and its related areas of estate and gift taxation. Personal representatives and trustees responsible for settling estates and trusts also engage her to guide them through the complexities of modern-day estate and trust administration. She earned her JD from the University of Florida and is certified by The Florida Bar as an expert in wills, trusts, and estates.

