



# **Gifts that Build Endowments**

NOVEMBER 19, 2020

# Today we're covering:

---

- Gifts in wills and trusts
- Retirement Fund Assets
- Life Insurance
- Gifts of Appreciated Assets

Have questions about other types of gifts?  
Reach out! We're always happy to answer your questions.

In 2019, Americans gave \$449.64 billion to charity

# \$449.64 billion



Giving by foundations grew 2.5 percent in 2019, and has grown in nine of the last ten years.



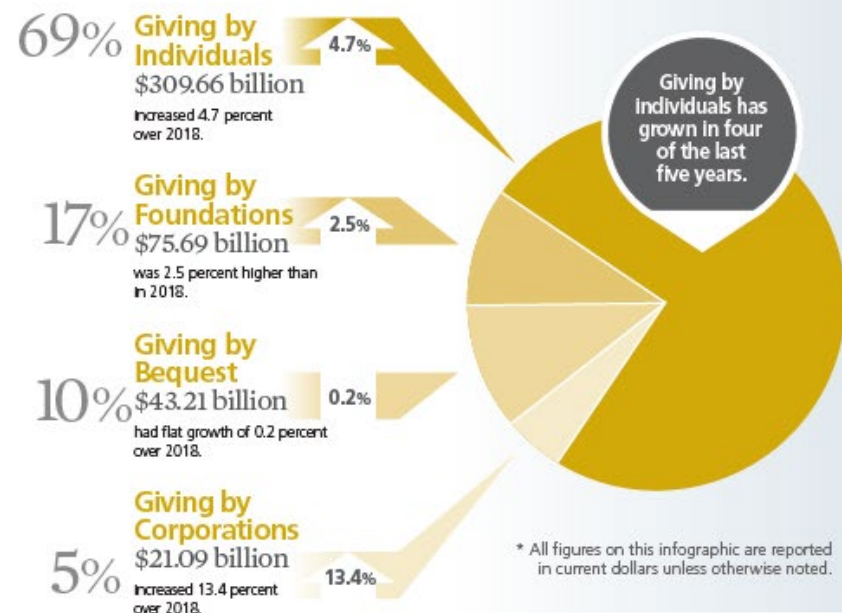
Education, public-society benefit, arts, culture, and humanities, and environment and animal organizations saw double-digit growth in 2019.



Giving to environment and animal organizations increased 11.3 percent in 2019, marking the sixth consecutive year of growth for this subsector.

## Where did the generosity come from?\*

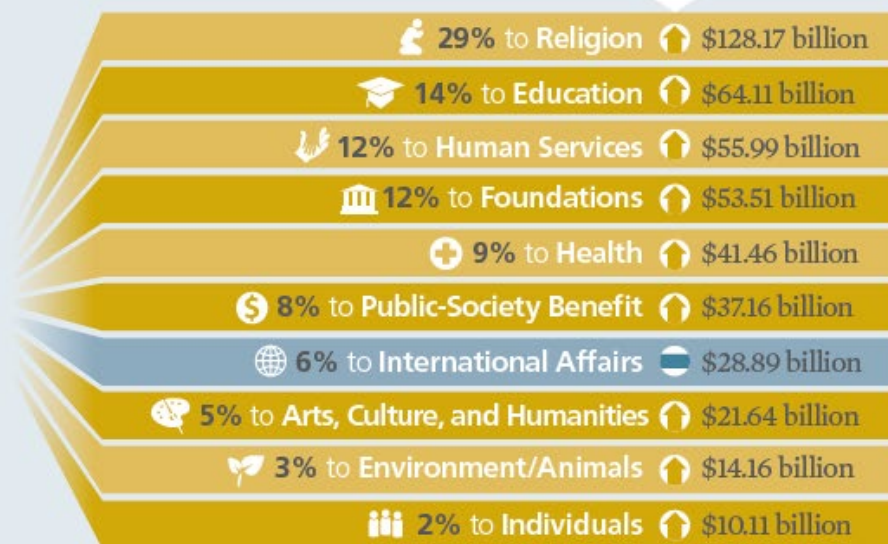
Contributions by source (by percentage of the total)



## Where did the charitable dollars go?

Contributions by destination (by percentage of the total)

Change in comparison to 2018 dollars



Giving USA Foundation™, The Giving Institute, and the Indiana University Lilly Family School of Philanthropy are pleased to continue their partnership in providing the most comprehensive, longest-running, and most rigorously researched resource on U.S. charitable giving, *Giving USA: The Annual Report on Philanthropy*. It is a privilege to report on Americans' generosity and related historical trends on U.S. charitable giving.



Visit [www.GivingUSA.org](http://www.GivingUSA.org) to learn more and to order your copy of *Giving USA 2020: The Annual Report on Philanthropy for the Year 2019*.



**Giving USA™**  
A public service initiative of The Giving Institute



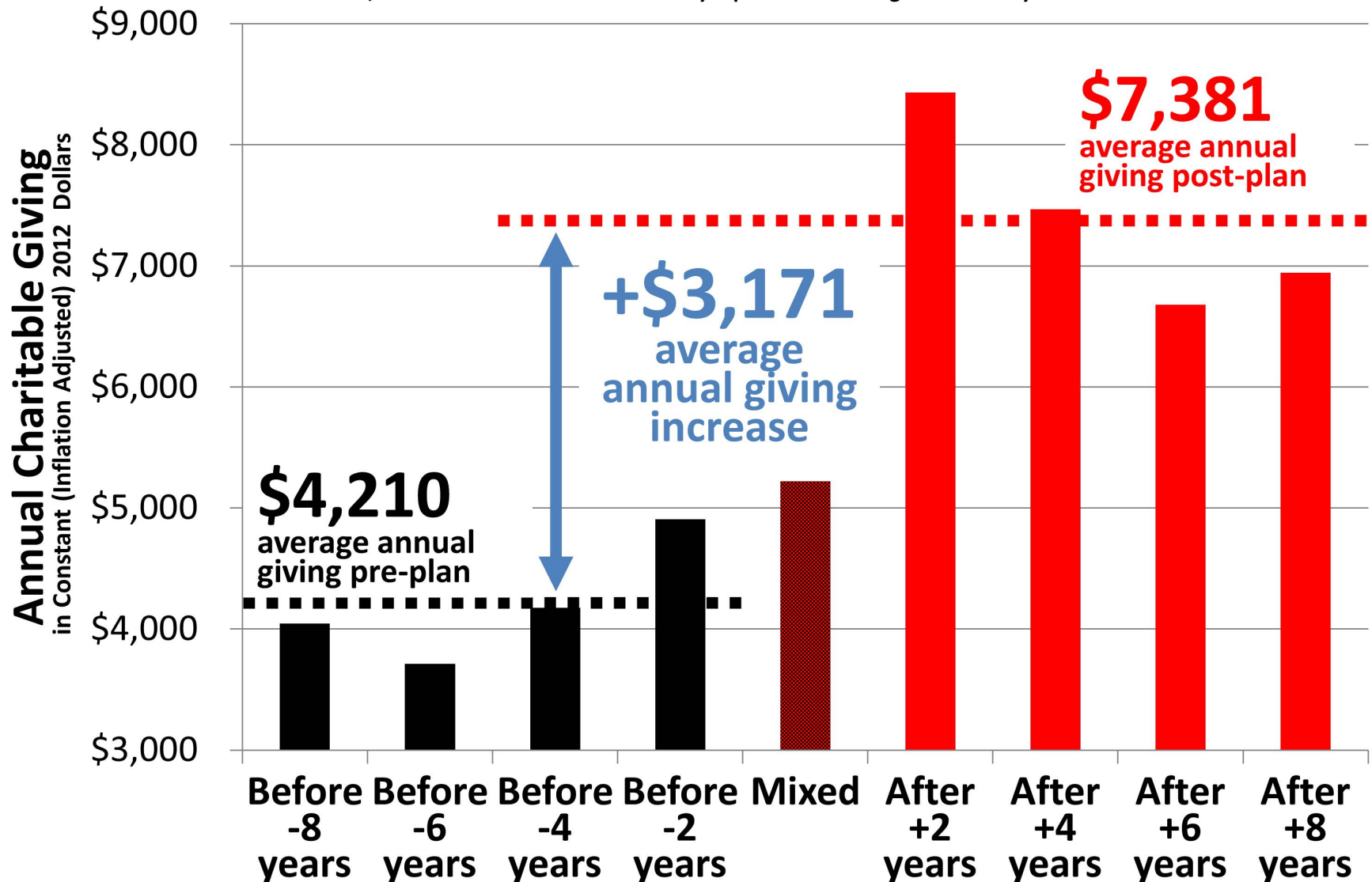
**THE Giving Institute™**  
Shared intelligence, for the greater good.



**IUPUI**  
LILLY FAMILY SCHOOL OF PHILANTHROPY

# Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study





# Legacy Giving Options

There are many ways you can make a lasting impact on the organizations you care about while also ensuring you are providing for your loved ones.

*The following is not intended as legal or tax advice. Contact your financial advisor to determine what makes the most sense for your circumstance.*

## A bequest in your will or trust

- can be a specific asset, dollar amount, percentage of your estate or remainder of your estate
- can be accomplished easily by asking your attorney to prepare a codicil

## Retirement plan assets

- a tax-wise gift
- easy to contribute through a beneficiary designation (of a percentage or specific amount) documented on a form provided by your plan administrator
- if you are 72 or older, you can avoid paying the deferred income tax and fulfill your required minimum distribution by donating up to \$100,000 annually to qualified charities through the IRA Charitable Rollover. Eligibility for gifting from the IRA Charitable Rollover begins at 70.5.

## Life insurance

- can be donated as an outright gift of a new or existing policy by naming the charity as the owner and the beneficiary of the insurance contract (each premium payment to the organization is tax deductible as a charitable gift if you itemize)
- can be gifted through beneficiary designation of a percentage or specific amount on your policy holder's form

## Stocks, real estate and other appreciated assets

When held longer than a year, donating these allows you to:

- avoid capital gains tax
- receive a tax deduction when you itemize

## Donor-advised fund

- is an easy cost-effective alternative to private foundations
- functions as a charitable giving account to support the organizations and causes you care about
- your contribution into the fund is tax deductible if you itemize
- Allows for advance planning by bundling gifts

## Charitable gift annuity and charitable remainder trust

- provides income for you or your family members for life or for a set period of time
- creates a meaningful legacy gift for your chosen charity through the remainder interest upon the trust's termination
- often provides tax benefits

## Charitable lead trust

- provides annual income for designated charities for a specified period of time
- transfers the remainder of the trust's assets to loved ones upon the trust's termination
- often provides tax benefits

## Sample bequest language:

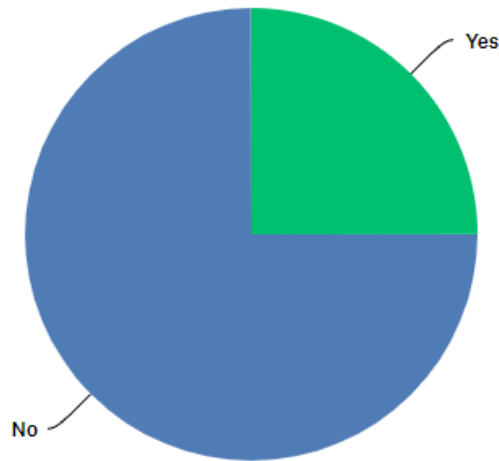
I give \_\_\_ % of my estate to Rose Community Foundation (TIN 84-0920862), 600 South Cherry Street, Suite 1200, Denver, CO 80246)

- to establish/add to an endowment fund for (Name of Nonprofit Organization)
- (or) to establish/add to (Name of Fund), a donor-advised fund
- (or) to establish/add to (Name of Fund) designated for (a specific charitable cause or nonprofit)

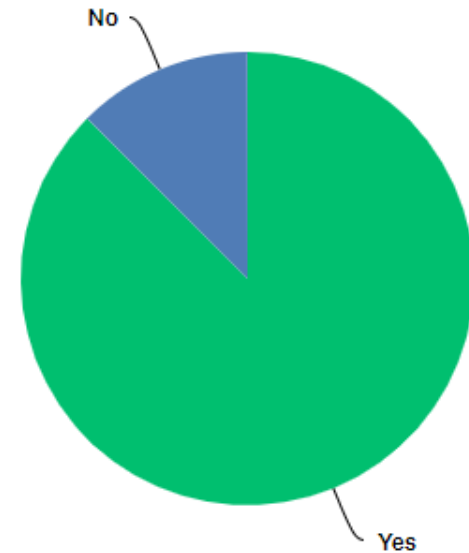
**This tool is in the resource library**

# Survey Results

Has your organization ever received a legacy gift?



Do you know of any donors who plan to leave your organization a legacy gift?



# COVID and Estate Planning

- Due to the pandemic, people are coming to terms with their mortality and legacy and are consequently, planning.
- For most people, estate planning is around drafting a will
- Significant increase in amount of searches for "how to make a will" over past several months
- Companies such as FreeWill provide DIY resources; be cautious
- [Outstanding article on legacy giving](#) during this time
- Delicate conversations but donors are opening the doors!

# Bequest in will or trust

Can be specific amount, percentage, remainder, or contingent

**Yay!**

- Advantageous to get in a will early
- Gift in a will = increased current giving
- For every one you know about, there are several you don't know about

**Meh.**

- Fewer assets distributed through wills
- Probate
  - Only 38% probated
  - Probate process can take time – 6-8 months, generally
- Wills destabilize as life nears end
  - Continue to steward

**Wills are ok, and trusts are**

**Yay!**



**Share your experience**

# Retirement Fund Assets

---

- Up to \$26 Trillion in retirement fund assets
- Up to 36% of all household financial assets are in retirement funds
- Inefficient asset to leave to heirs, as they will have to pay deferred income tax
- Retirement funds are the most highly taxed asset
- Retirement funds can serve to build your endowment from both current funds, as well as through beneficiary designations

# Retirement Fund Assets - Current

## IRA Charitable Rollover/Qualified Charitable Distribution

- 72 or older – Required Minimum Distribution (RMD)
- 70 ½ or older – eligible for IRA charitable rollover/QCD
- Transfer up to \$100,000 from IRA to qualified charity annually
- Avoid income tax on RMD
- Must go straight from IRA administrator to qualified charity



# Retirement Fund Assets – Longer Term

- SECURE Act (2020) changed way we think about retirement fund assets
- Upside: Retirees able to take RMDs later, greater earnings
- Downside: Most heirs can no longer *stretch* inheritance out over time
- Limited to **TEN** years
- Most **highly taxed** asset so,



**GIVE IT TO A NONPROFIT  
by planning ahead!!!**

# IRA Beneficiary Designation

Make sure  
your TIN is  
easy to find  
on your  
website!



Create a new beneficiary

×

Beneficiary Type

Entity

Entity Type

Select

Name

Tax Identification Number (TIN) (optional)

Including a TIN helps us locate your beneficiaries more quickly.

Phone (optional)

Email (optional)

Address 1 (optional)

Address 2 (optional)

City (optional)

State (optional)

Select

ZIP Code (optional)

Cancel

Continue

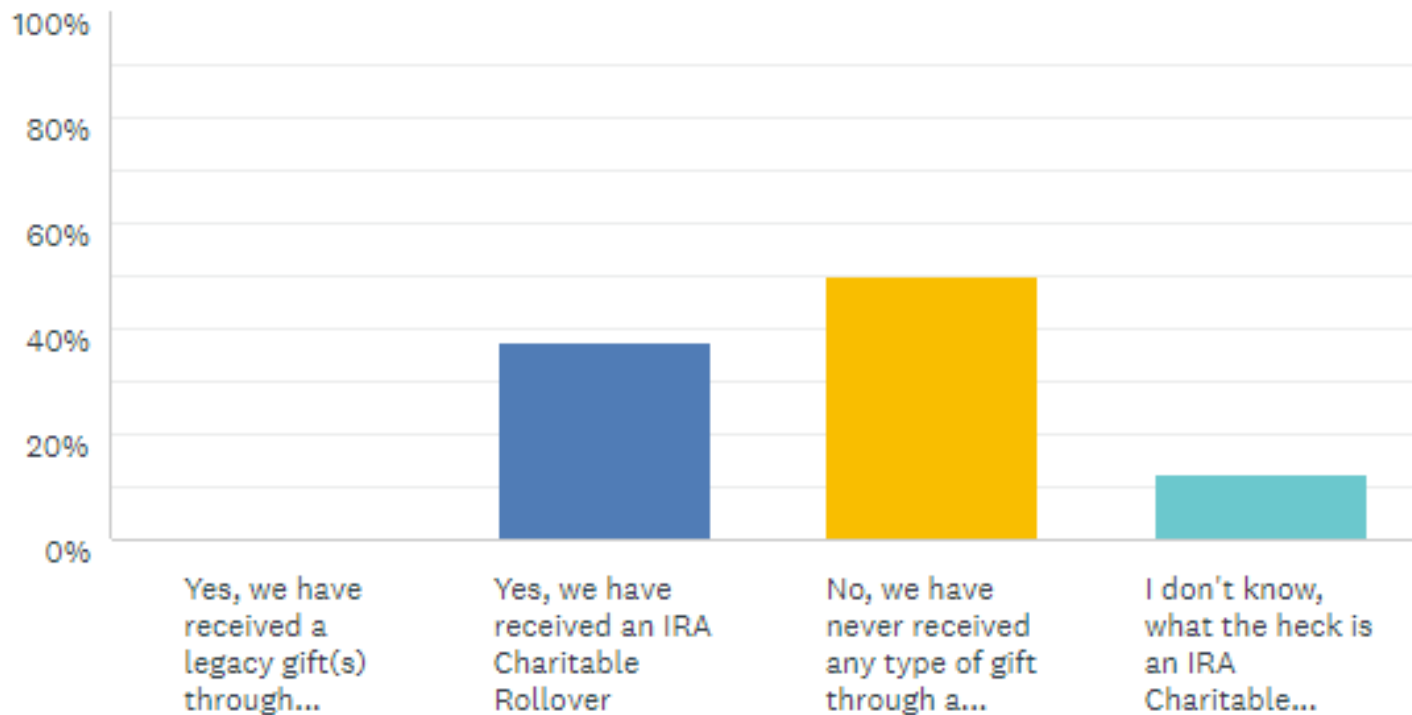
# Bequest v. IRA

\$500,000 estate including IRA worth \$100,000

	Charitable Bequest	IRA to Charity
Combined value of estate	\$500,000	\$500,000
IRA transferred to charity	n/a	\$100,000
Income tax on IRA (est. 32%)	\$32,000	\$0
Charitable Bequest	\$100,000	\$0
Remainder to heir	\$368,000	\$400,000



# Survey Results



# Life Insurance



- Nonprofit as beneficiary of policy
- Better yet, nonprofit as owner and beneficiary of policy
- Better tool for younger donors

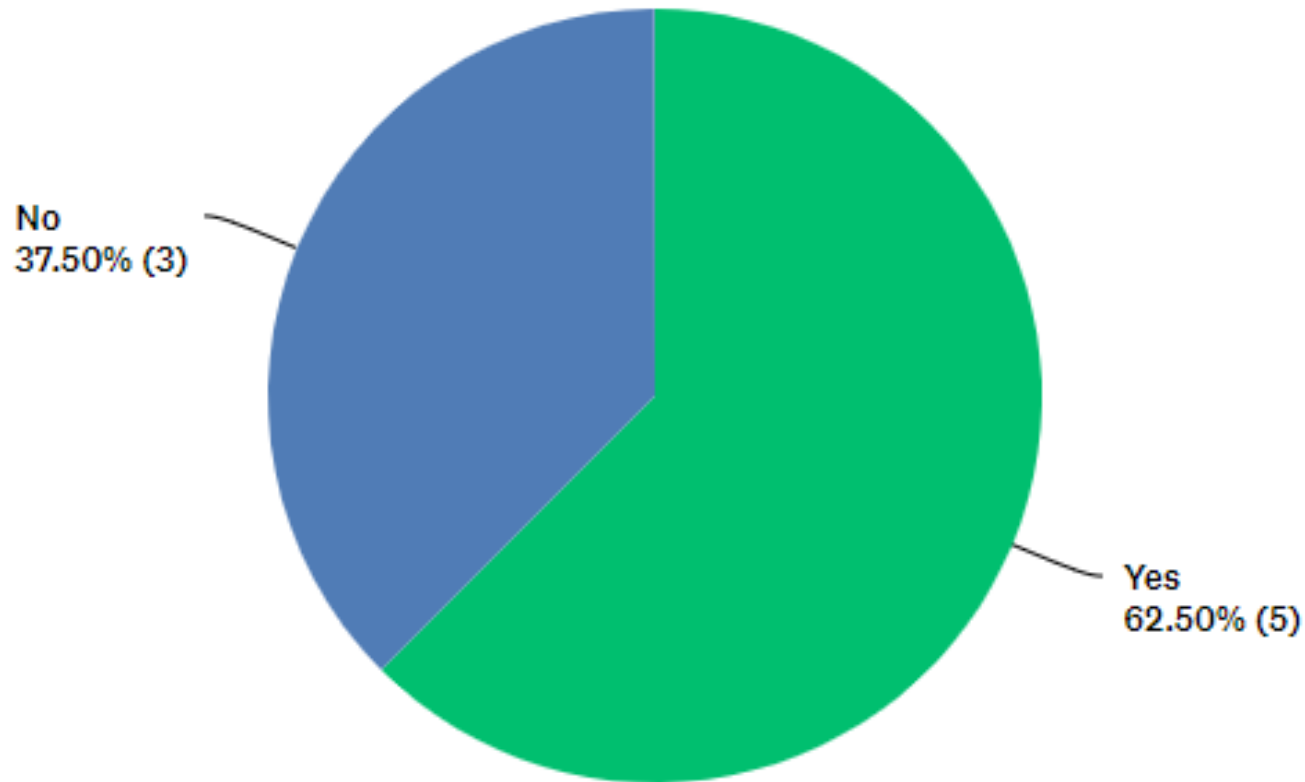
# Income v. Appreciated Assets

While annual giving usually comes from income sources, donors often support endowments with other financial assets such as appreciated property or future gifts.

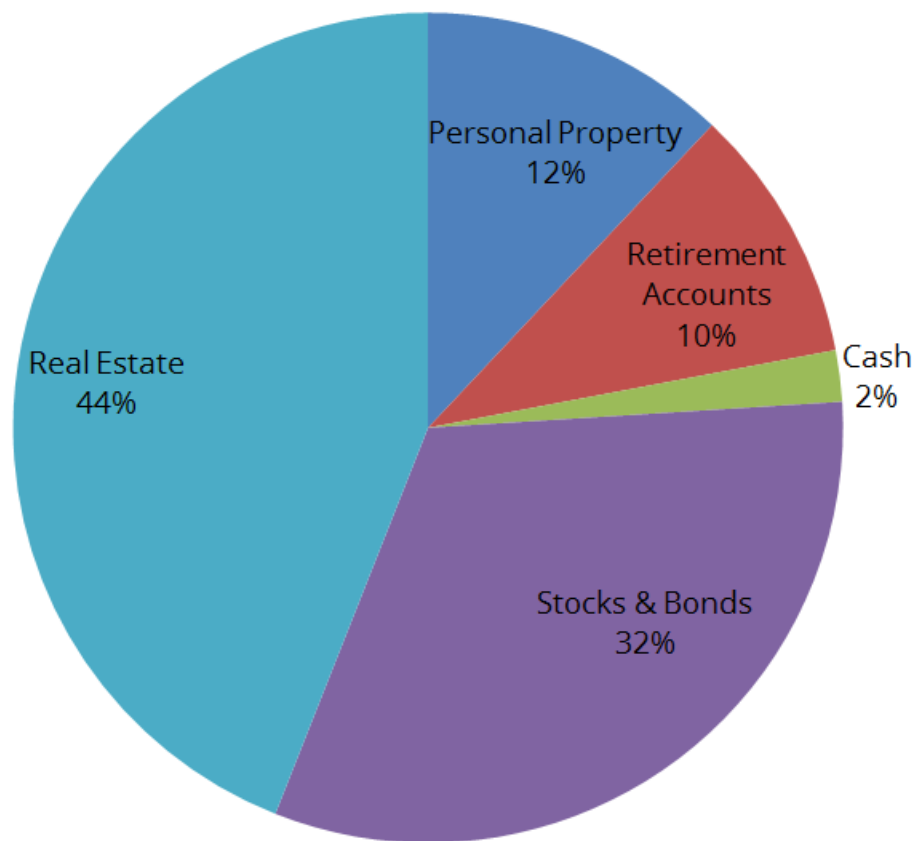
- Stocks
- Real Estate
- Bequests
- Life Insurance
- Retirement Funds



# Have you received appreciated assets?



# Personal Wealth



Data from US Treasury, via Craig C. Wruck, 2018 Colorado  
Planned Giving Roundtable Summer Symposium

# The Bigger Slice of the Pie





# Shifting a Donor's Mindset

- People who feel wealthy act charitably
- Re-categorize assets as “donation relevant”
- Appreciated assets allow donors to stretch their dollars



## Example from CPGR's "DEATH AND TAXES"

---

### \$100,000 GIFT OF CASH

Total gift:	\$100,000
Federal income tax deduction:	\$ 37,000
Total cost to make the gift:	\$ 63,000

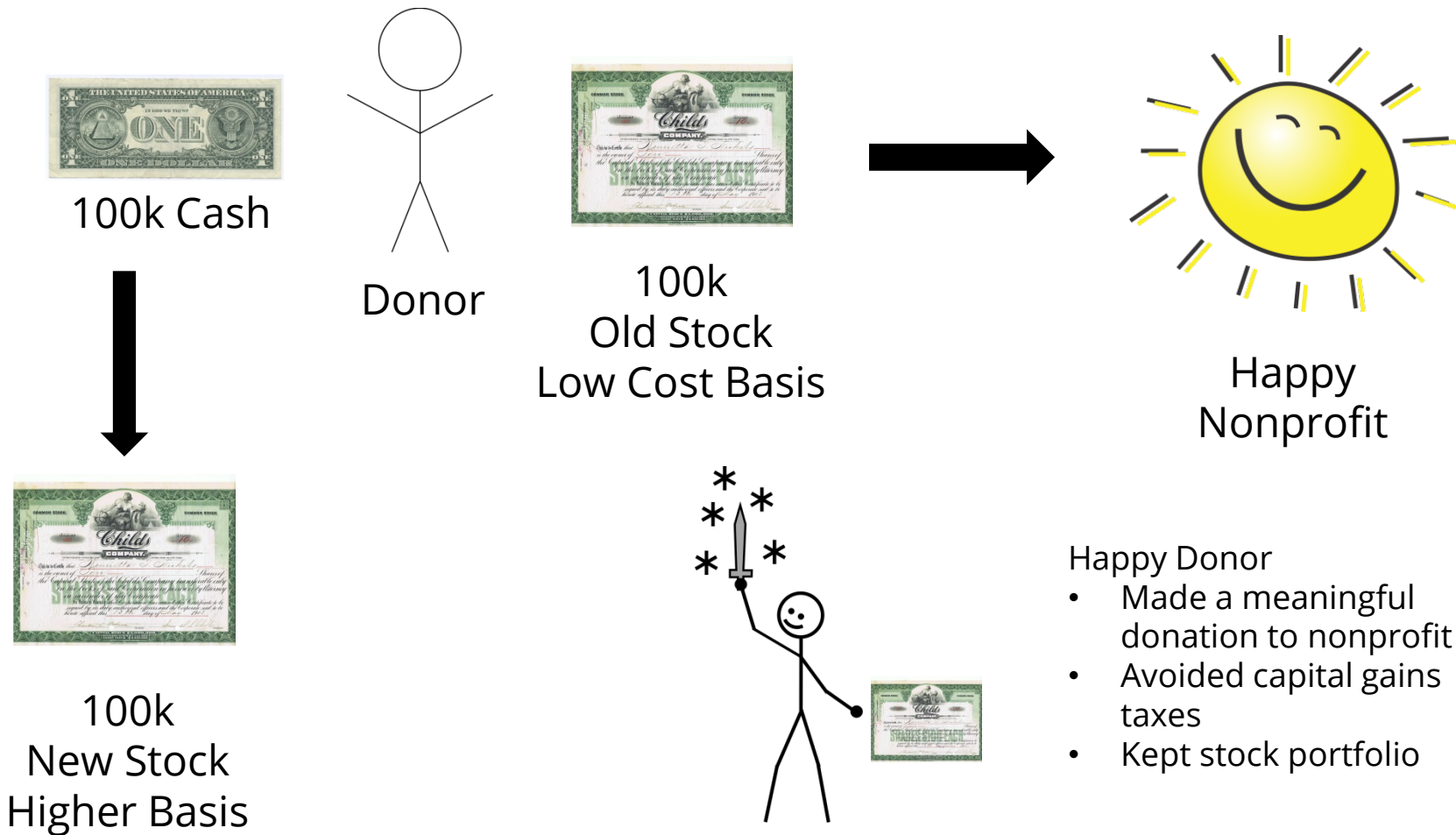
## GIFT OF APPRECIATED STOCK WITH 50% COST BASIS

Fair market value when sold	\$100,000
Taxable capital gain	\$ 50,000
Income tax deduction (37%)	\$ 37,000
Avoided capital gains tax (20%)	\$ 12,000
Cost to make the gift:	\$ 51,000

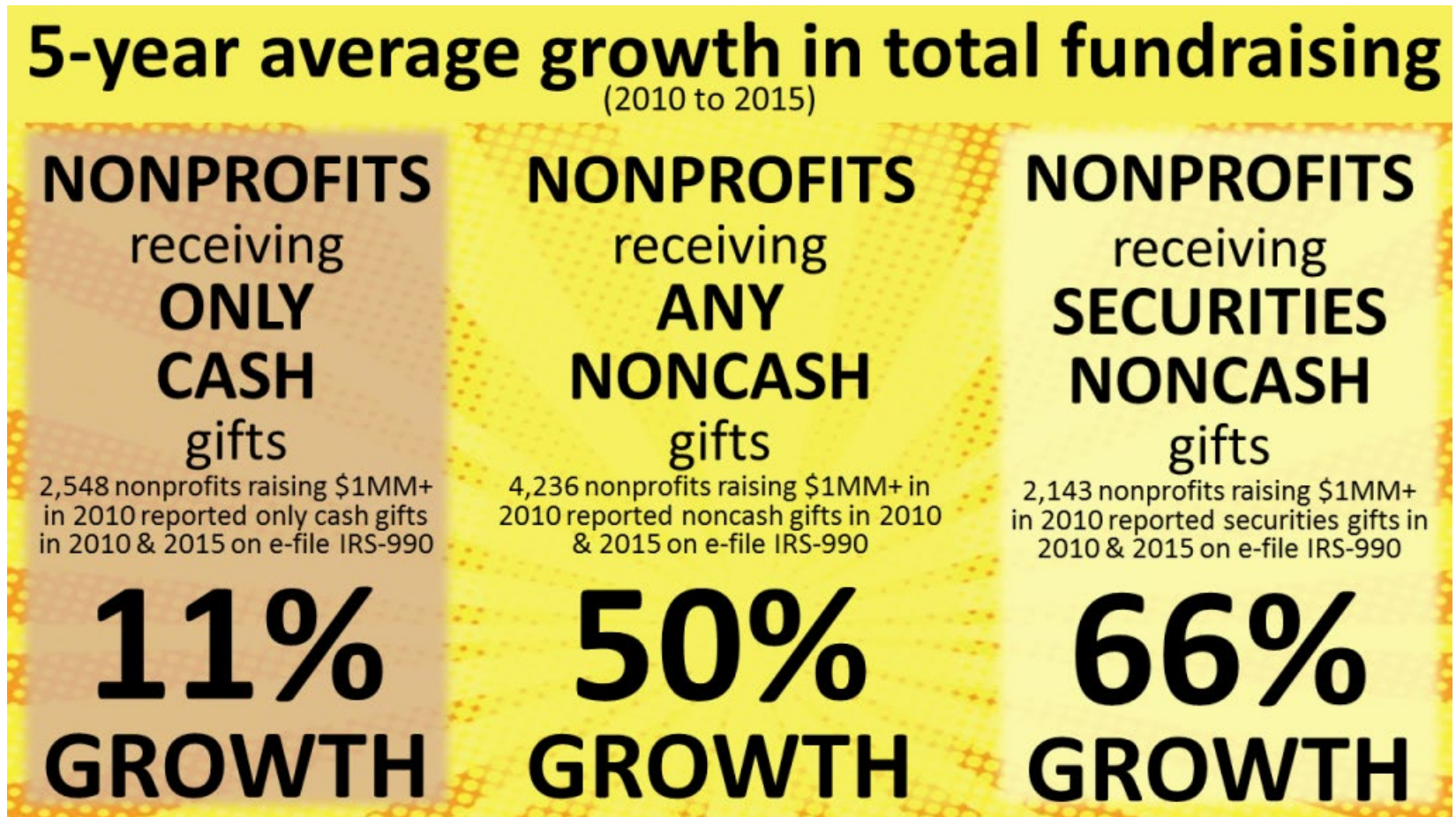
Cost to give appreciated stock is 12.4% lower

\$51,000 vs. \$63,000

# Charitable Swap



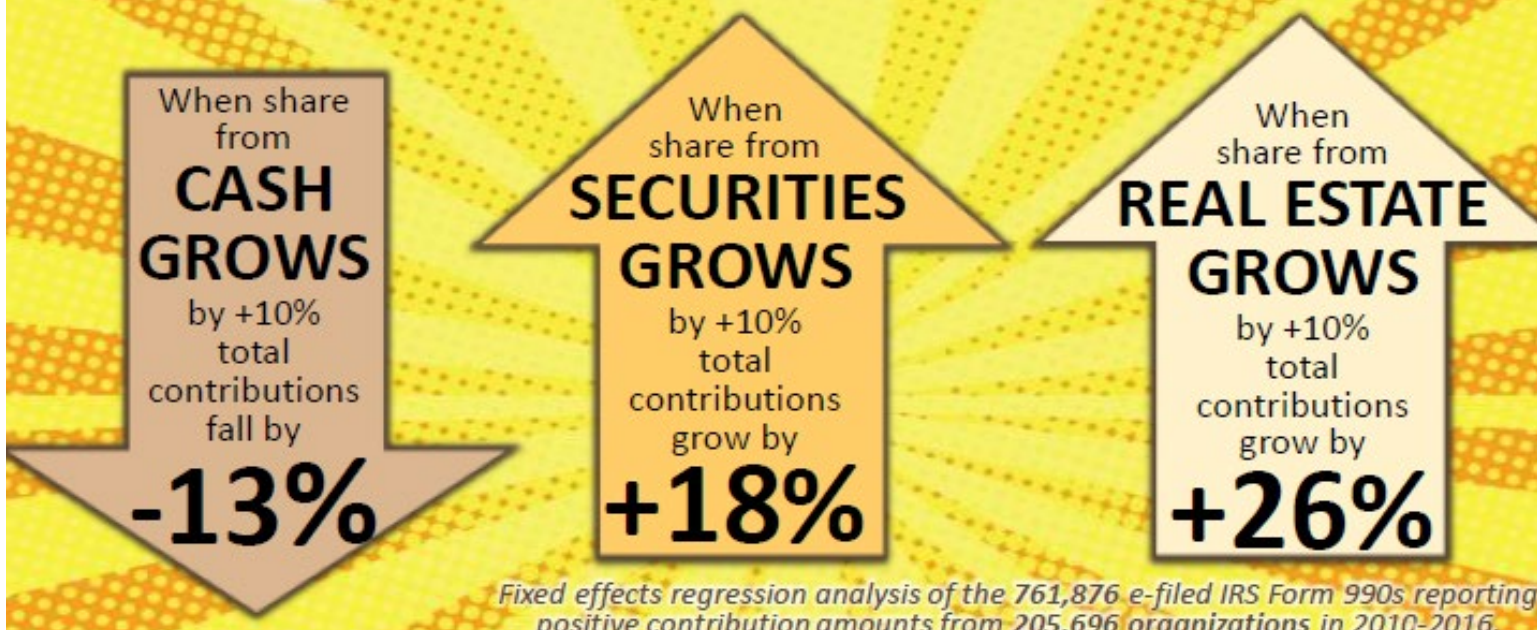
## Five-year growth: Cash v. Assets





## Change in total contributions

**What happens IN THE SAME YEAR  
when gifts shift from cash to assets?**





Focus on  
**WHY**  
rather than  
**HOW**

# Questions?



---

**Amelia Fink**

Director of Nonprofit Funds  
and Endowments

Rose Community Foundation

[afink@rcfdenver.org](mailto:afink@rcfdenver.org)

303.398.7452

**Judy Altenberg**

Director of Gift Planning and  
Advisor Relations

Rose Community Foundation

[jaltenberg@rcfdenver.org](mailto:jaltenberg@rcfdenver.org)

303.398.7407