Gifts that Build Endowments
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.

Where did the generosity come from?*

Contributions by source (by percentage of the total):
- **69%** Giving by individuals: $309.66 billion (increased 4.7% over 2018)
- **17%** Giving by foundations: $75.69 billion (2.5% higher than in 2018)
- **10%** Giving by bequest: $43.21 billion (flat growth of 0.2% over 2018)
- **5%** Giving by corporations: $21.09 billion (increased 13.4% over 2018)

Giving by individuals has grown in four of the last five years.

Where did the charitable dollars go?

Contributions by destination (by percentage of the total):
- **29%** to Religion: $128.17 billion
- **14%** to Education: $64.11 billion
- **12%** to Human Services: $55.99 billion
- **12%** to Foundations: $53.51 billion
- **9%** to Health: $41.46 billion
- **8%** to Public-Society Benefit: $37.16 billion
- **6%** to International Affairs: $28.89 billion
- **5%** to Arts, Culture, and Humanities: $21.64 billion
- **3%** to Environment/Animals: $14.16 billion
- **2%** to Individuals: $10.11 billion

*All figures on this infographic are reported in current dollars unless otherwise noted.

Give 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 is a privilege to report on Americans' generosity and related historical trends on U.S. charitable giving.

Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study

$7,381 average annual giving post-plan

+$3,171 average annual giving increase

$4,210 average annual giving pre-plan

Russell James, J.D., Ph.D., CFP
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]
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!
Bequest v. IRA

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

<table>
<thead>
<tr>
<th></th>
<th>Charitable Bequest</th>
<th>IRA to Charity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined value of estate</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>IRA transferred to charity</td>
<td>n/a</td>
<td>$100,000</td>
</tr>
<tr>
<td>Income tax on IRA (est. 32%)</td>
<td>$32,000</td>
<td>$0</td>
</tr>
<tr>
<td>Charitable Bequest</td>
<td>$100,000</td>
<td>$0</td>
</tr>
<tr>
<td>Remainder to heir</td>
<td>$368,000</td>
<td>$400,000</td>
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</table>
Survey Results

- Yes, we have received a legacy gift(s) through...
- Yes, we have received an IRA Charitable Rollover
- No, we have never received any type of gift through a...
- I don’t know, what the heck is an IRA Charitable...
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?

- Yes: 62.50% (5)
- No: 37.50% (3)
Personal Wealth

- Real Estate: 44%
- Stocks & Bonds: 32%
- Retirement Accounts: 10%
- Personal Property: 12%
- Cash: 2%

Data from US Treasury, via Craig C. Wruck, 2018 Colorado Planned Giving Roundtable Summer Symposium
The Bigger Slice of the Pie

Cash

Assets
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

100k Cash
Donor

100k Old Stock
Low Cost Basis

Happy Nonprofit

100k New Stock
Higher Basis

Happy Donor
- Made a meaningful donation to nonprofit
- Avoided capital gains taxes
- Kept stock portfolio
### Five-year growth: Cash v. Assets

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth Rate</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofits receiving <strong>Only Cash</strong> gifts</td>
<td>11%</td>
<td>2,548 nonprofits raising $1MM+ in 2010 reported only cash gifts in 2010 &amp; 2015 on e-file IRS-990</td>
</tr>
<tr>
<td>Nonprofits receiving <strong>Any Noncash</strong> gifts</td>
<td>50%</td>
<td>4,236 nonprofits raising $1MM+ in 2010 reported noncash gifts in 2010 &amp; 2015 on e-file IRS-990</td>
</tr>
<tr>
<td>Nonprofits receiving <strong>Securities Noncash</strong> gifts</td>
<td>66%</td>
<td>2,143 nonprofits raising $1MM+ in 2010 reported securities gifts in 2010 &amp; 2015 on e-file IRS-990</td>
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</tbody>
</table>
Change in total contributions

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.

Russell James, “Why Cash is not” King
Focus on WHY rather than HOW
Questions?
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