

# Building and Protecting Your Legacy: A Primer About Gift Planning

## What is Gift Planning?

Gift planning encompasses a variety of ways that gifts can be made from accumulated resources to your family and favorite charities, such as the church. It usually involves financial or estate planning, but it is not reserved for the wealthy. Gift planning is a means by which anyone concerned with the prudent use of their personal resources makes a considered choice about their ultimate disposition. Gift planning may entail:

- A Will or Codicil Bequest
- Charitable Trusts
- Gifting Appreciated Stocks
- Gifts of Special Assets (real estate, life insurance, retirement accounts); and
- Donor-advised Funds.

Gift planning establishes a way for you to provide for family members while making a bequest to your church or other favorite charity. It often enables you to provide more for your heirs and to make a larger gift than thought possible. It often reduces taxes as well.

Gift planning includes either outright gifts (i.e., gifts of appreciated securities, real property, personal property, etc.) or deferred gifts (i.e., bequests, charitable trusts, or donor-advised funds).

## Gift Planning Vehicles

A Will or Codicil Bequest is a simple, revocable bequest that allows the donor flexibility for future changes to a will while not affecting their current lifestyle. Donors can provide for both individual heirs and favorite charities. Estate taxes are avoided when assets are passed to charities. Additionally, bequests may provide donors the ability to make larger gifts than otherwise thought possible.

## Charitable Trusts

A Charitable Remainder Trust is available to donors using assets of \$100,000 or more. They can be funded with various types of assets, including real estate. The charitable remainder trust provides income for life, an income tax deduction, relief from capital gains taxes (if funded through appreciated property), and a possible reduction in estate taxes. The income fluctuates based on the performance of the portfolio.

If you are seeking fixed income annually, a charitable remainder annuity trust is an option.

The Charitable Lead Trust, another estate planning tool, enables you to transfer assets to a trust that pays its income to the charity such as your church for a set period of time. At the end of the term, the principal and all capital appreciation returns to you or others named.

## Gifts of Real Estate, Appreciated Property, and Tangible Personal Property

Real estate or securities can be the source of your gift to your favorite charity.

Using a Charitable Life Estate Contract, for example, you can deed your home, vacation home, farm, or condominium to the church and retain the right to live on the property and/or receive income from the property for as long as you live. You receive an income tax deduction when the property is deeded to the charity and normally avoid any capital gains taxes when making the transfer. Your inheritance and estate taxes may be reduced at the time of your death.

Gifts of appreciated real estate or securities allow you to avoid capital gains taxes. It is important to transfer the stock or real estate to the charity prior to selling it. However, if the securities or real estate have decreased in value, you should consider selling the assets before making the gift, thus establishing a capital loss and a potential tax deduction.

Gifts of tangible personal property, such as jewelry, coins, works of art, automobiles, etc. may also be given to a charity. You are responsible for setting an appraised value on the gift. Any gift over \$5,000 must be independently appraised.

## Gifts of Life Insurance & Retirement Accounts

Life Insurance is another way to make a sizeable gift to a charity. For example, you can purchase a new policy and make the church the owner and beneficiary of the policy. This enables you to leverage your gift and make a larger gift.

Contributions to your church to pay the ongoing premiums as a charitable gift become tax deductible. You can make the church the owner and beneficiary of an existing policy. The current value of the policy is tax deductible, as are future premium payments.

The remainder value of many retirement accounts (e.g., 401 (k)s and IRAs) can be passed tax-free to your charity at death. The PATH law establishes the permanence of qualified charitable deductions (QCDs). Once IRA owners reach age 72, they must take certain required minimum distributions (RMDs) each year. QCDs up to \$100,000 per year can be made in lieu of RMDs.

## Donor-Advised Funds

A donor-advised fund is a charitable giving vehicle sponsored by a public charity that allows you to make a contribution to that charity and be eligible for a tax deduction, and then recommend grants overtime to any IRS-qualified public charity.

Donor-advised funds are the fastest-growing charitable giving vehicle in the U.S. because they are one of the easiest and most tax-advantageous ways to give to charity. When you donate to your donor-advised fund, you are making a tax-deductible donation to the organization sponsoring the fund. But because your account is a donor-advised fund, you advise the organization on how to grant the money out to your favorite charities such as the church. Your donation is also invested based on your preferences, so it has the potential to grow, tax-free, while you are deciding which charities, such as the church to support.

You can also donate cash, stocks, real estate or non-publicly traded assets such as real estate and stock.

### Trusted Advisor(s)

The Planned Giving Committee recommends that you consult with your trusted advisor(s) on Gift Planning and Gift Vehicles to determine what form of a gift and vehicle makes most sense for you.



The Cloister Society was established in 2011 to recognize and thank those who have made a planned gift to the church unless they prefer to remain anonymous. Many members of the parish have put such plans in place, and the number continues to grow. You are encouraged to consider making such a gift and thereby joining the Cloister Society.

### St. Christopher's Planned Giving Committee Mission Statement

We will be long-term stewards of St. Christopher's Episcopal Church by facilitating the growth of its endowment in order to support the church's mission and its capital needs. We will do this by creating awareness of the importance of planned giving to St. Christopher's, the importance of estate planning for our parishioners, and the various options for providing bequests or gifts to the church. We will also recognize and celebrate those who have made such gifts to St. Christopher's, unless they prefer to remain anonymous.

### Members of the Planned Giving Committee (2023)

Rob Boas, chair, rboas@bellsouth.net, 404-668-3885

Jim Bast, jimbast@outlook.com, 508-237-5588

Peggy Davis, peggo1@comcast.net, 508-240-9083

Errol James, ejames@soundviewpartners.net,  
508-942-6159

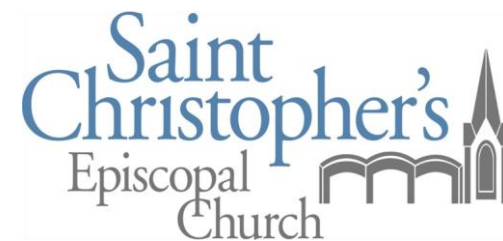
Jill MacDonald, amacd2788@aol.com,  
772-359-3515

David Smith, dm99smith@hotmail.com,  
508-737-2858

### St. Christopher's EPISCOPAL CHURCH

625 Main Street  
Chatham, MA 02633  
(508) 945-2832

[stchristopherschatham.org/cloister-society](http://stchristopherschatham.org/cloister-society)



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