



5 Common Gifting Techniques and how they might impact your financial plan

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Outright Gifts

People tend to be most familiar with outright gifts. The most common type of outright gift is cash, but can also include securities, real estate, and other property.

Giving cash is simple because unlike other assets, its inherent value is easy to determine and its usually readily accessible. However, depending on your objective (above giving) other techniques might prove more advantageous in the grand scheme of things.

Charitable IRA Distributions

Qualified Charitable Distributions allow an IRA owner to make a direct transfer of up to \$100,000 from a pre-tax IRA to a qualified charity, tax free.

This is especially beneficial to clients who are in Required Minimum Distribution Phase (RMD)* because distributions from tax deferred accounts (excluding Roth IRAs) are taxed at prevailing ordinary income tax rates. For example, if you are in the 37% income tax bracket, and your RMD amount is \$50,000 for 2022, a Charitable IRA Distribution can save you about \$18,500 in ordinary income taxes.

Charitable Remainder Trusts

A Charitable Remainder Trust (CRT) is an irrevocable trust that provides payments to non-charitable beneficiaries at least annually or on a more frequent basis, and a remainder interest in Trust property to be paid to a charity at a specific time in the future.

The donor receives a current income tax deduction that represents the present value of the future interest received by the charity.

The donor can contribute appreciated property to the trust without recognizing gain, and provide a stream of favorably taxed income to themselves or another person.

Charitable Lead Trusts

Alternatively, a Charitable Lead Trust is the reverse of a Charitable Remainder Trust. Once assets have been transferred to the irrevocable trust, the charity receives the payment stream, and the grantor retains a reversionary interest in the asset(s).

Donor Advised Funds

Donor Advised Funds (DAFs) have gained a lot of traction in personal finance as of late. With a DAF, a donor can make a charitable gift that is deductible in the year of said gift, remove the asset from their respective estate, and maintain control of the where the asset(s) is ultimately transferred and when the transfer occurs.

Giving can be a very powerful tool when done effectively. If you'd like to have a conversation with an advisor about these or other gifting techniques that might fit your situation, we'd love to hear from you.

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