



**AEF**  
AMERICAN ENDOWMENT FOUNDATION



## More than an Arrow: The Importance of the Charitable Conversation and How to Introduce Strategies that Work

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5/8/15



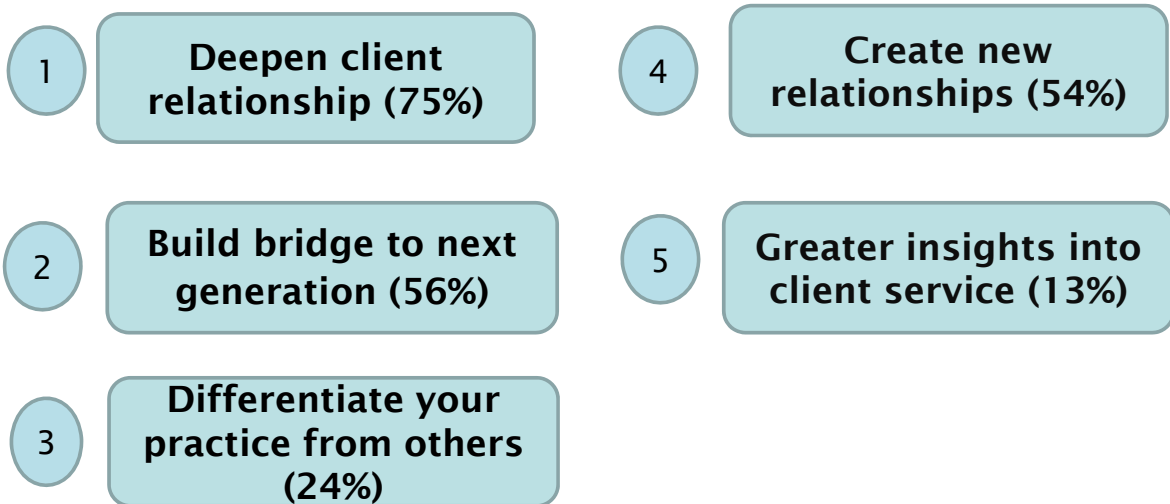
## Do you know these answers about your clients?

- Currently donating, volunteering or board involvement?
- What is the consistency in their involvement?
- What is their consistency in giving to these or other causes?
- How are the donating (cash, securities, other assets)?
- What giving has given them the most joy/frustration?
- Do they want to focus in giving today, building for future giving or create a legacy plan for after they are gone?
- Would they do more if they could do it anonymously?

## Why?

- Charitable Giving in 2013 **\$335 - \$456 Billion**
- % Charitable giving in 2013 from individuals  
**81% - These are your clients!**
- % of HNW individuals are interested in receiving help to understand what assets to contribute? **70%**
- What % HNW individuals would like help on choosing which giving vehicles to use? **47%**
- % of client attrition on death of client & spouse **90%**

## Grow Your Practice



## 2014 U.S. Trust HNW Philanthropy Study

	Expert (14 percent)	Knowledgeable (72 percent)	Novice (14 percent)
Monitor giving	78 percent	53 percent	29 percent
Confidence in the impact of their giving	84 percent	60 percent	43 percent
Consult with an advisor	61 percent	46 percent	26 percent
Have or plan to use a giving vehicle	78 percent	57 percent	30 percent
Achieving personal fulfillment through their charitable giving	89 percent	75 percent	47 percent
Average amount of giving in 2013	\$150,229	\$64,599	\$19,013

## Benefits of Donor

- 1 **Community Engagement/Give Back**
- 2 **Create a lasting legacy of giving**
- 3 **Enhances “trusted advisor” relationship**
- 4 **Immediate and maximum tax benefits**
- 5 **Privacy or recognition**
- 6 **Separate tax decision from grant decision**

## Opportunities - Family

- **Want to transfer values and purpose, not just assets**
- **Create intergenerational common to gain confidence develop/fulfill potential**
- **Share knowledge, skills to develop an understanding of financial concepts**
- **Develop an emotional and functional bridge between wealth, purpose, and society**

### Client Question

Values about Wealth

More clients are beginning to realize that while they do great job preparing the wealth for the family, they are not passing along the values that prepare the family for the wealth. What values would you like to preserve and to pass on to your family in addition to your wealth?

## Taxes play a role

- 1 Immediate income tax deduction at FMV
- 2 Avoid capital gains
- 3 Avoid estate taxes
- 4 Investments grow tax free
- 5 Reduce AMT

## Cash Flow Retention

Gifts of Cash		Gifts of Appreciated Assets	
Cash Contribution	\$20,000	FMV of Stock	\$20,000
Marginal Tax Rate	39.6%	Amount Paid for Stock	\$10,000
Income Tax SAVED	\$7,920	Income Tax SAVED	\$7,920
Estimated After Tax Cost of Gift	\$12,080	Capital Gains Tax (\$10K x 20%)	\$2,000
		Net Investment Income Tax (\$10K x 3.8% Medicare Surtax)	\$380
		Additional Tax Savings	\$2,380
		<b>Estimated After Tax Cost of Gift</b>	<b>\$9,700</b>

## Client Question

Annual Planning

Many of our clients are becoming more interested in learning how to redirect their taxes to benefit their family, their community and the missions/goals of their favorite organizations, how would you like me to introduce these opportunities to you?

## Private Foundation vs. DAF

	Private Foundation	DAF
Donor Control	Absolute	Virtual
Valuation: Liquid assets Illiquid assets	FMV Cost	FMV FMV
Income tax deduction as % AGI, (cash - other)	30% - 20%	50% - 30%
Excise tax on investment income	1-2%	None
Set up	Complex	Simple

## Private Foundation vs. DAF

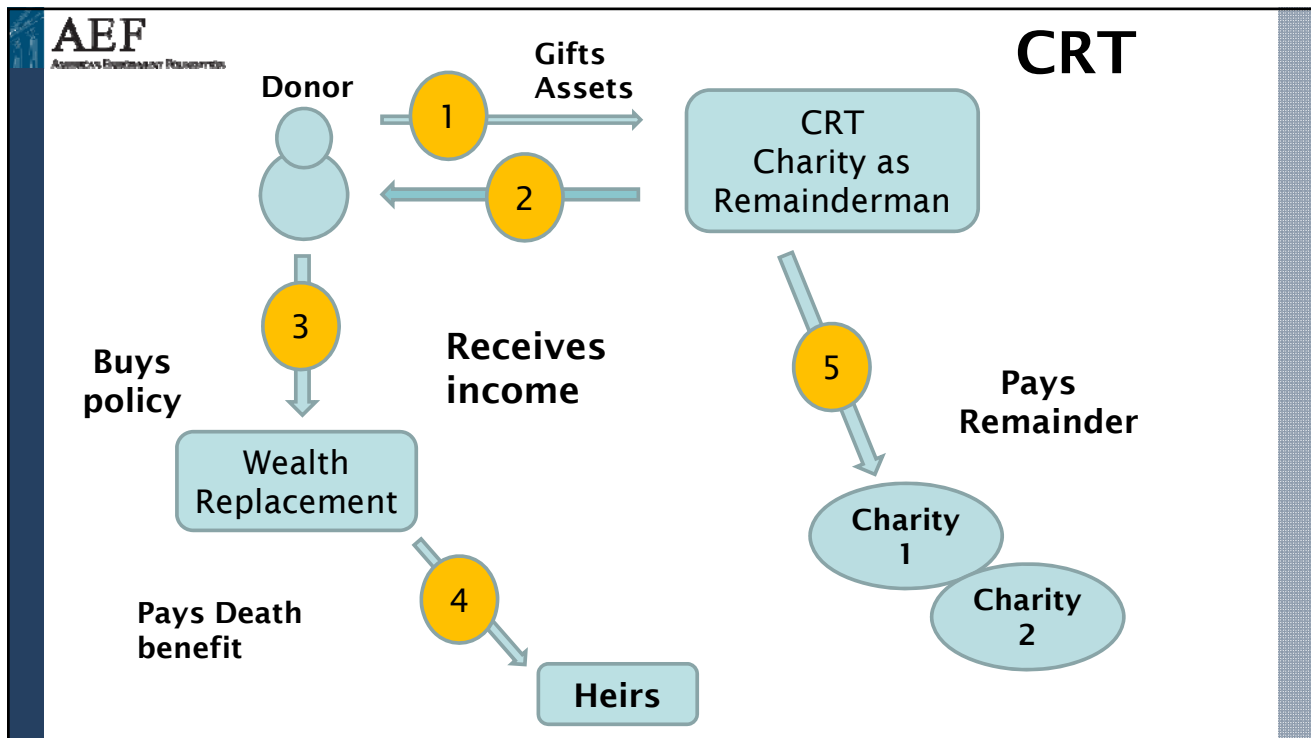
	Private Foundation	DAF
Investment options	Open	Open
Responsible for: tax returns, compliance, accounting, grants management, fiduciary oversight, legal and audit	PF	DAF
Privacy	None	Total
Annual distribution requirement	5%	None

### Client Question

Private Foundations/DAFs

What if you could claim your deduction now while you and your family retain influence over those charitable dollars and decide later what charity(ies) will receive the gifts?

How would your giving change if you could do it anonymously?

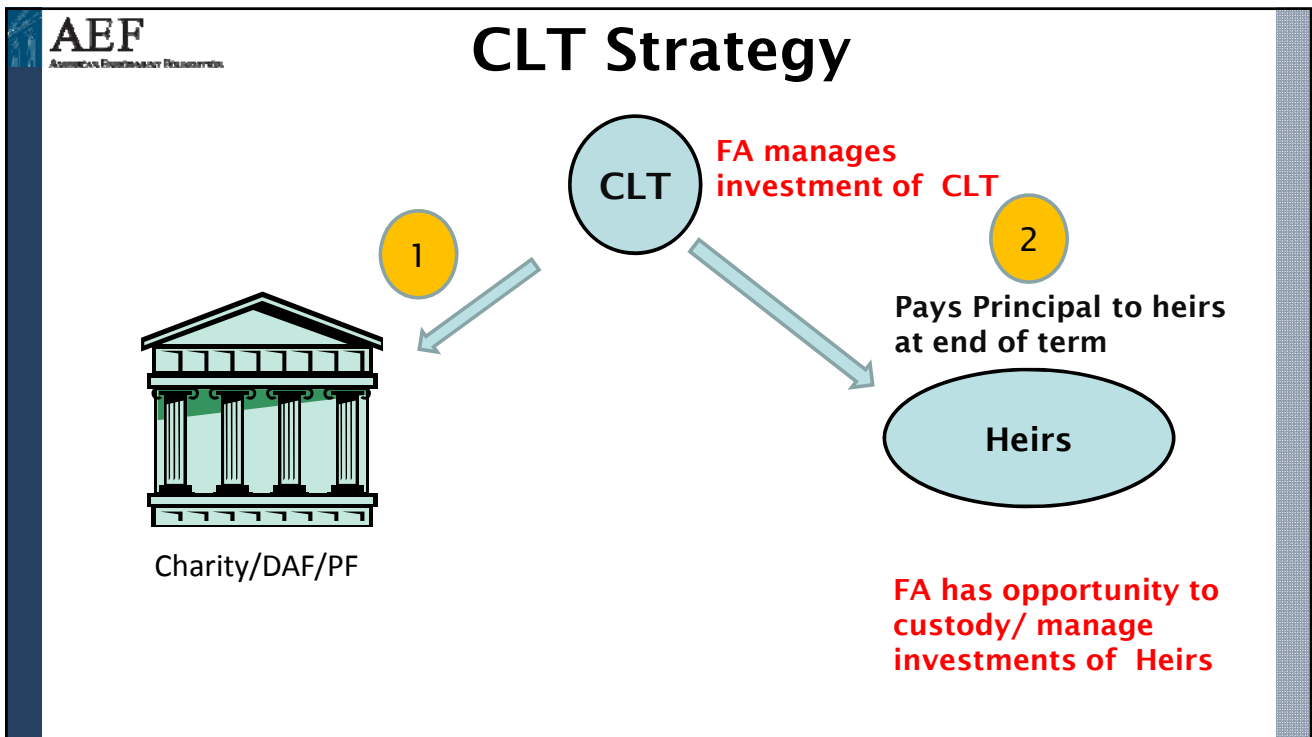
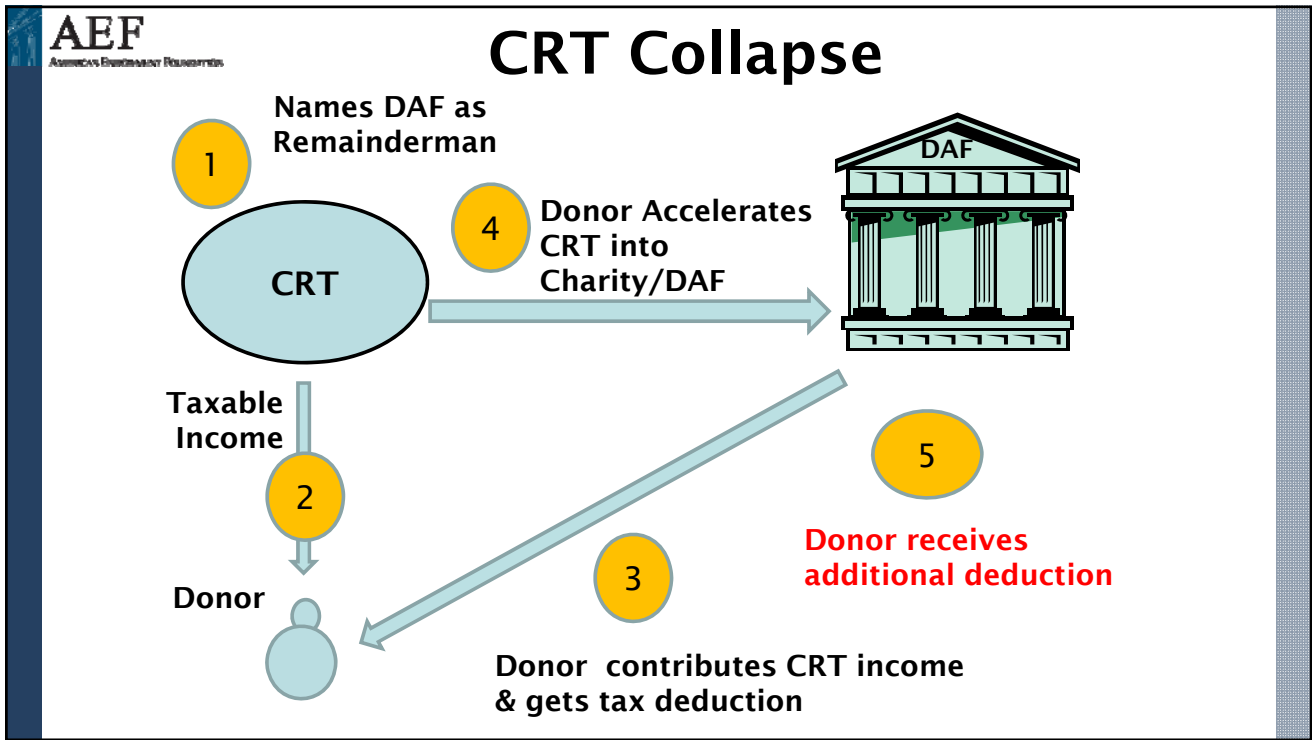


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**Client Question**  
Charitable Remainder Trusts

You have a lot of assets with significant long-term gain. Some of our clients have had success with the tax-free sale of an asset that will give them income for life and also support their favorite charity(ies) afterwards. Often, this has net a better result than selling the assets outright. Is this something we should put in our notes to discuss further for you at some point?



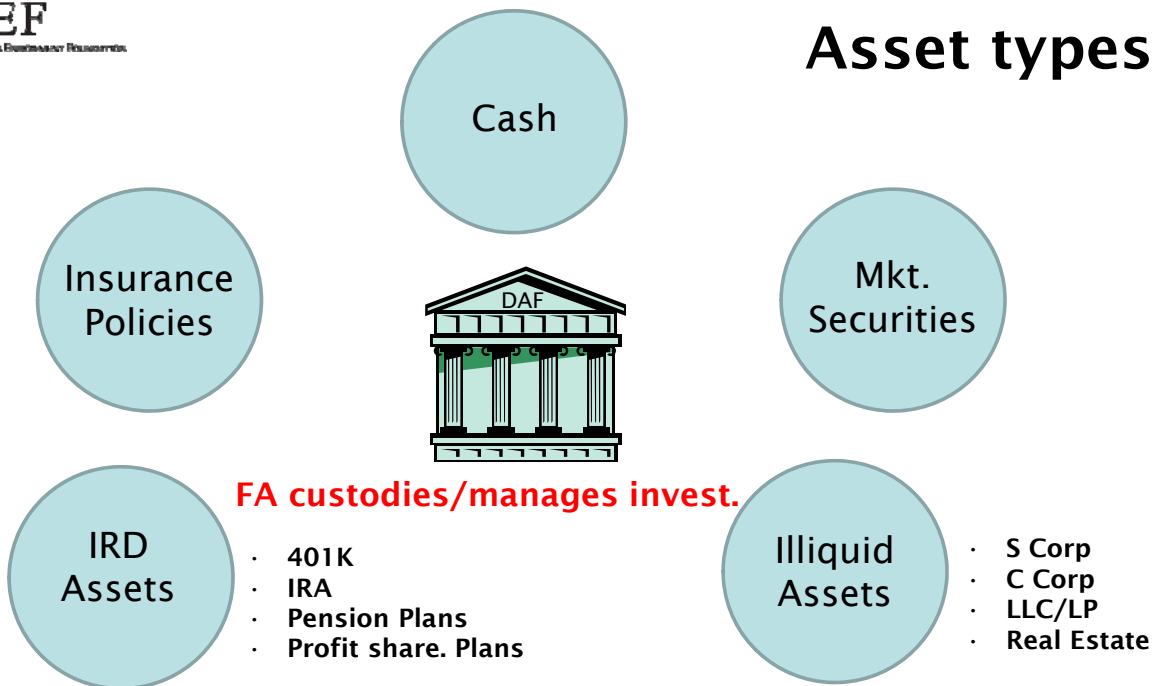


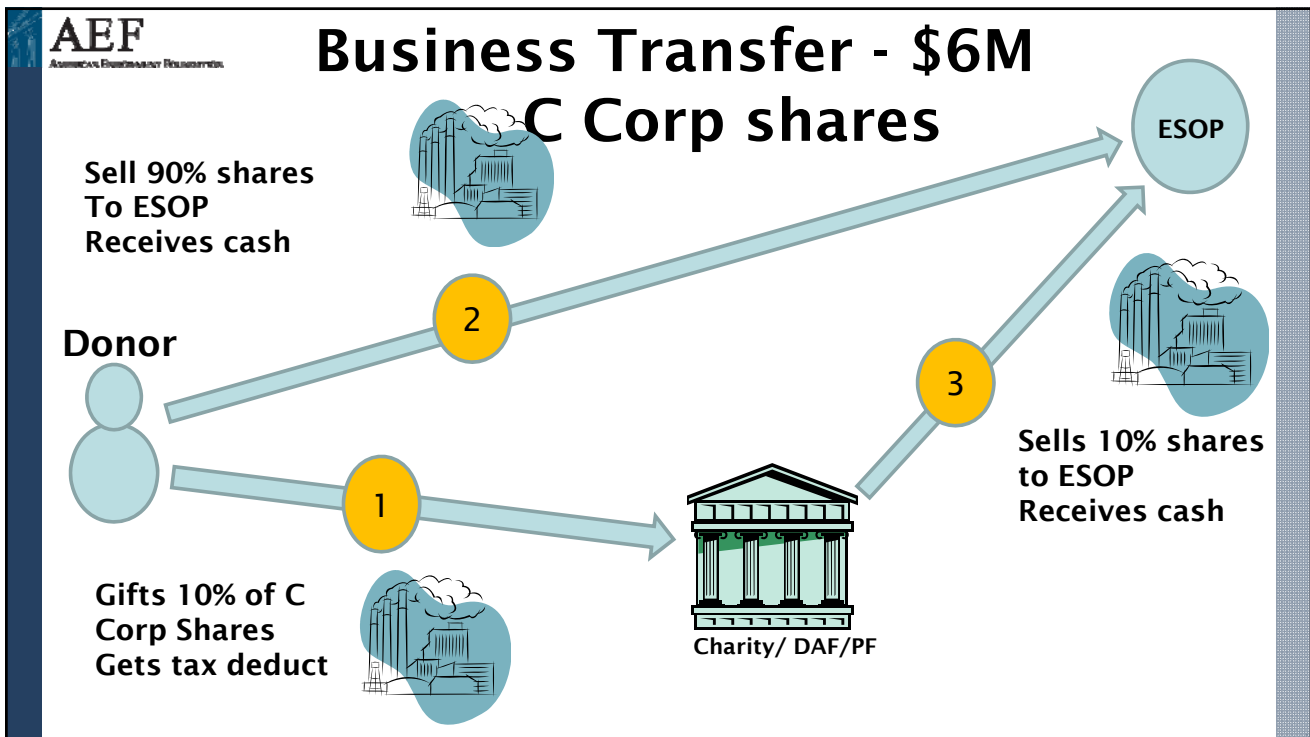
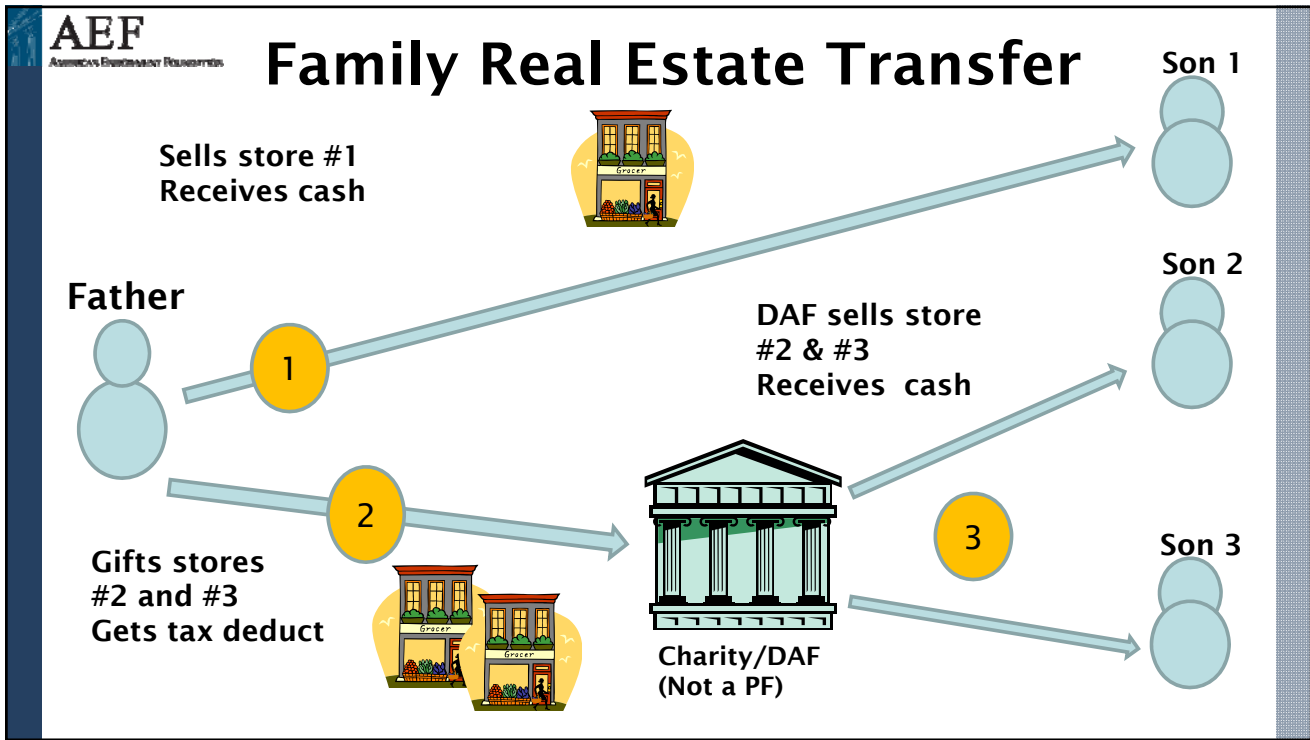
**Client Question**

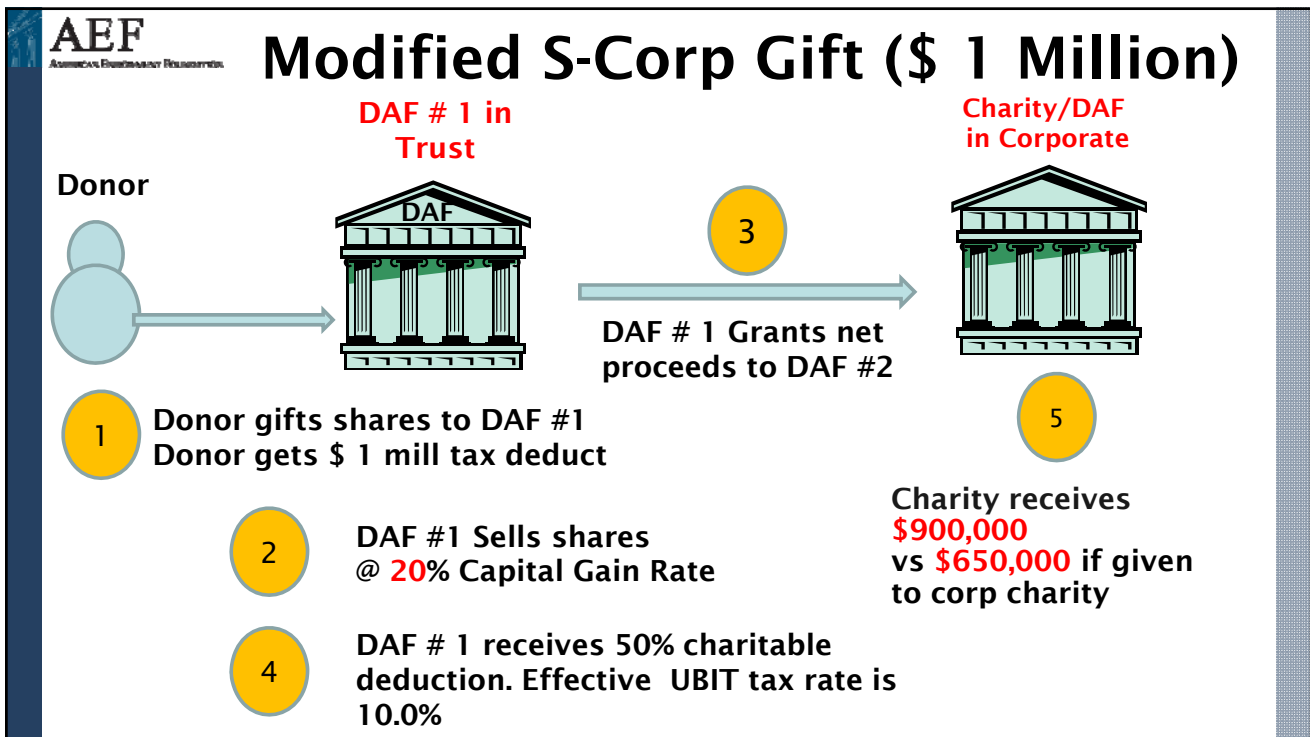
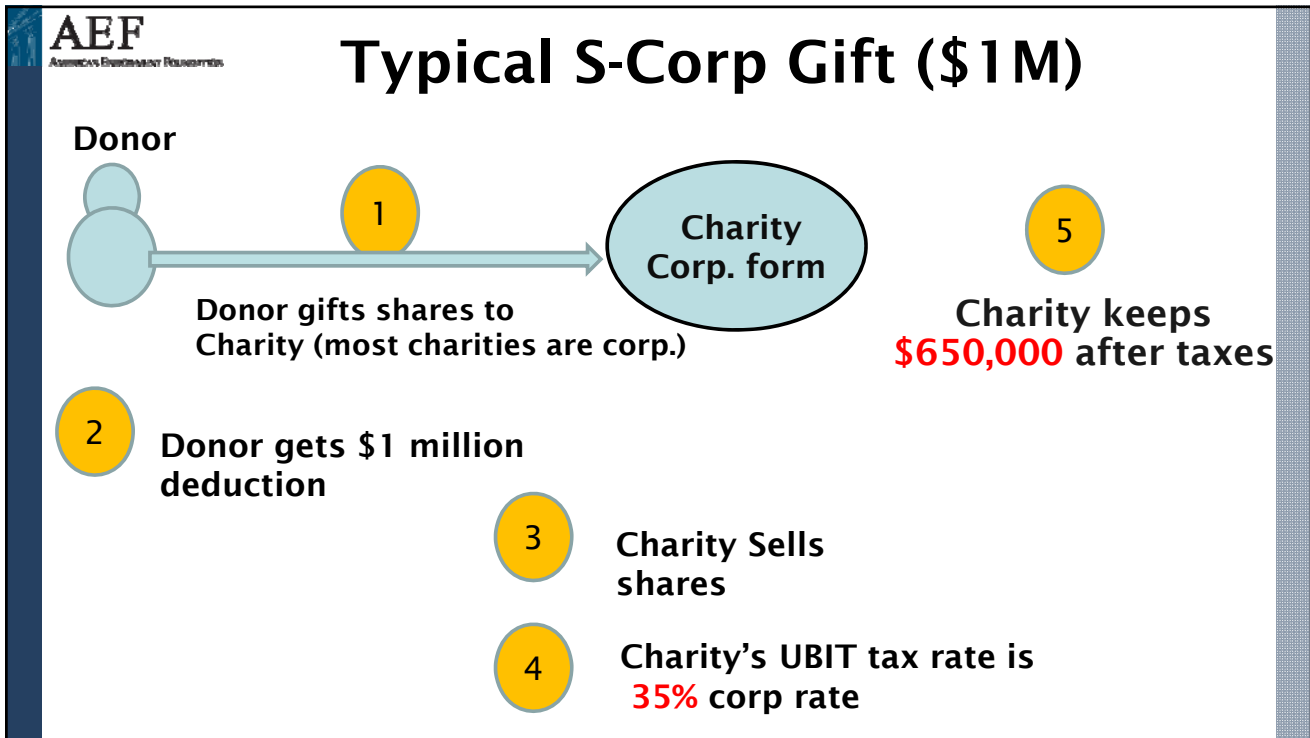
Charitable Lead Trust

Some clients have assets that will appreciate more over time and are they are also concerned about giving their heirs too much money too soon. They've made the choice to "park" those assets in a trust that distributes cash to their favorite charity(ies) over a period of time and then reverts the property to the family with reduced gift and estate taxes. Would you be interested in benefitting both charity and your family in this way?

**Asset types**





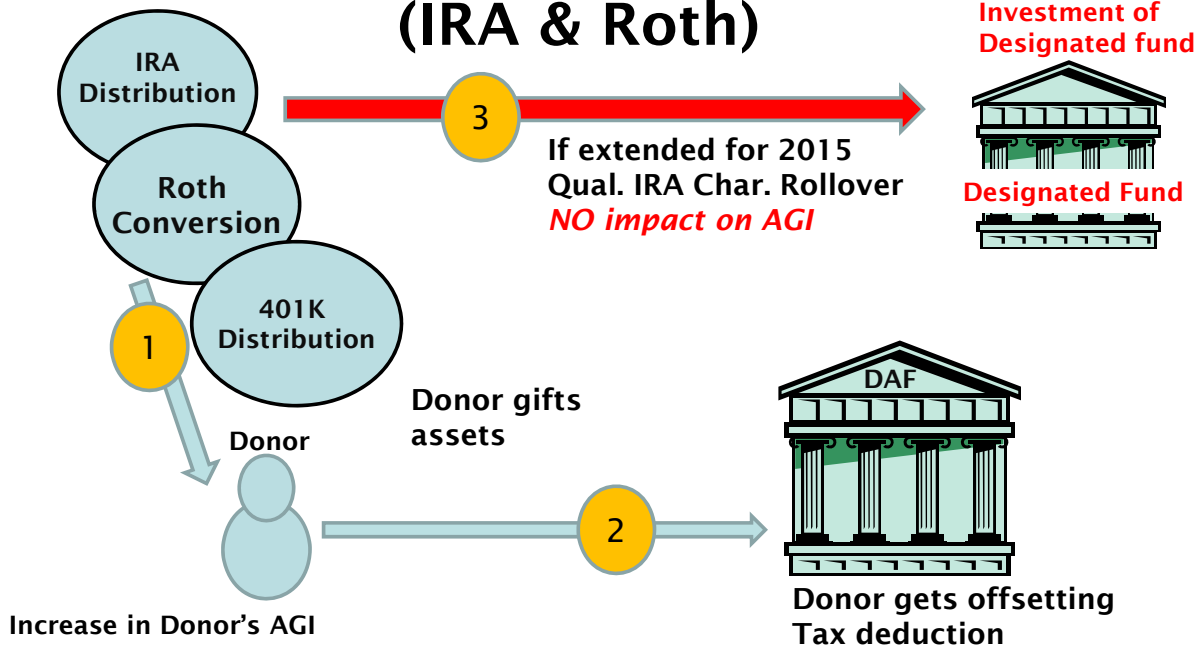


**Client Question**

Complex Assets (Real Estate, Closely Held Stock)

Often, real estate or closely held stock is a client's most appreciated asset. Quite frequently the sales of these assets and can trigger "sticker shock" come tax time. What if you could offset some of that by donating a portion or all of the property prior to the sale without losing the ability to negotiate the transaction?

**IRD Strategies (IRA & Roth)**



### Client Question

IRD Assets (IRA, Roth, 401K)

Retirement funds paid to your kids at your passing can get hit with income and estate taxes that can reduce the benefit by as much as 70%. What if we could gifted those assets tax-free to charity and found another way to transfer that money to your heirs?

## Strategies for Gifts of Life Insurance

1

Name Charity/DAF/PF as beneficiary - simple, keep control

2

Gift policy (Charity/DAF/PF owner and beneficiary)

- ✓ New or existing policy?
- ✓ Policy loans outstanding?
- ✓ Future intent? (continue/surrender/settle)
- ✓ Tax benefits
  - for gift of policy?
  - Future premiums?

3

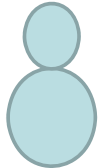
Other

- Assign dividends to DAF
- Charitable rider

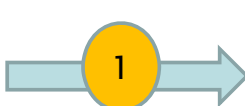
## Name the DAF as beneficiary

Names DAF as beneficiary

Donor

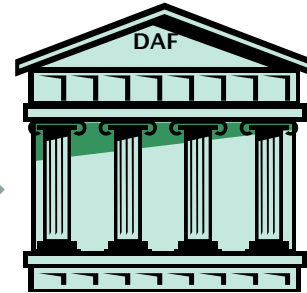
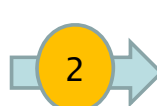


1



Insurance Company

2



Charity/DAF/PF receives the death benefit

No Tax deduction

Donor keeps control

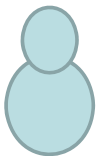
## Contribute Existing Policy

Donor gives up control

Tax Deduction = Replacement Value

Charity/DAF/PF makes Premium PMTs

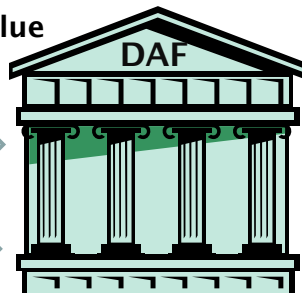
Donor



1



2



3



4



Insurance Company

Gifts of future premiums are deductible

Ins. Co. pays death benefit



### Client Question

Life Insurance

What if you could make a large impact on your community with a small financial commitment through either an existing or new life insurance policy? Would that help you honor someone you loved or support a cause that has been important in your life?



# AEF

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## Thank you!

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