



Planned Giving Demystified

Fund Raising Day
in New York 2008

Delivered by
Tony Martignetti, Esq.
Martignetti Planned Giving Advisors
June 13, 2008

Where We're Headed

- What is Planned Giving
- How is Planned Giving done
- Who are the best prospects
- Resources



What is Planned Giving?

A method of charitable giving that involves the donor's consideration of their retirement plan and family estate plan, and

Usually (not always) accrues cash to a non-profit at the donor's death



How is Planned Giving Done?

- Revocable gifts (your donor can take it back)
 - very valuable to your program
- Charitable bequests
- Living trusts
- Beneficiary designations



Charitable Bequests

- Far most popular
- Unlikely you'll be told
- Not hard to do
- Deduction for estate?
- Revocable
- Done at ordinary income levels
- Any property or cash
- Yes, a lot of money in residual estates



Living Trusts

- Revocable
- Easiest trust
- Sans deduction
- Easy transfer to you
- A way to avoid probate
- Received at death
- Cash or property
- Hushed donor who won't tell you



Beneficiary Designations

- Life Insurance
- Retirement plans
IRA, 401(k), 403(b), Small Employer Pension (SEP), SIMPLE IRA
- Commercial annuities
- Bank and brokerage accounts
- Any asset with a beneficiary designation



Where We Are

- What is Planned Giving
- How is Planned Giving done

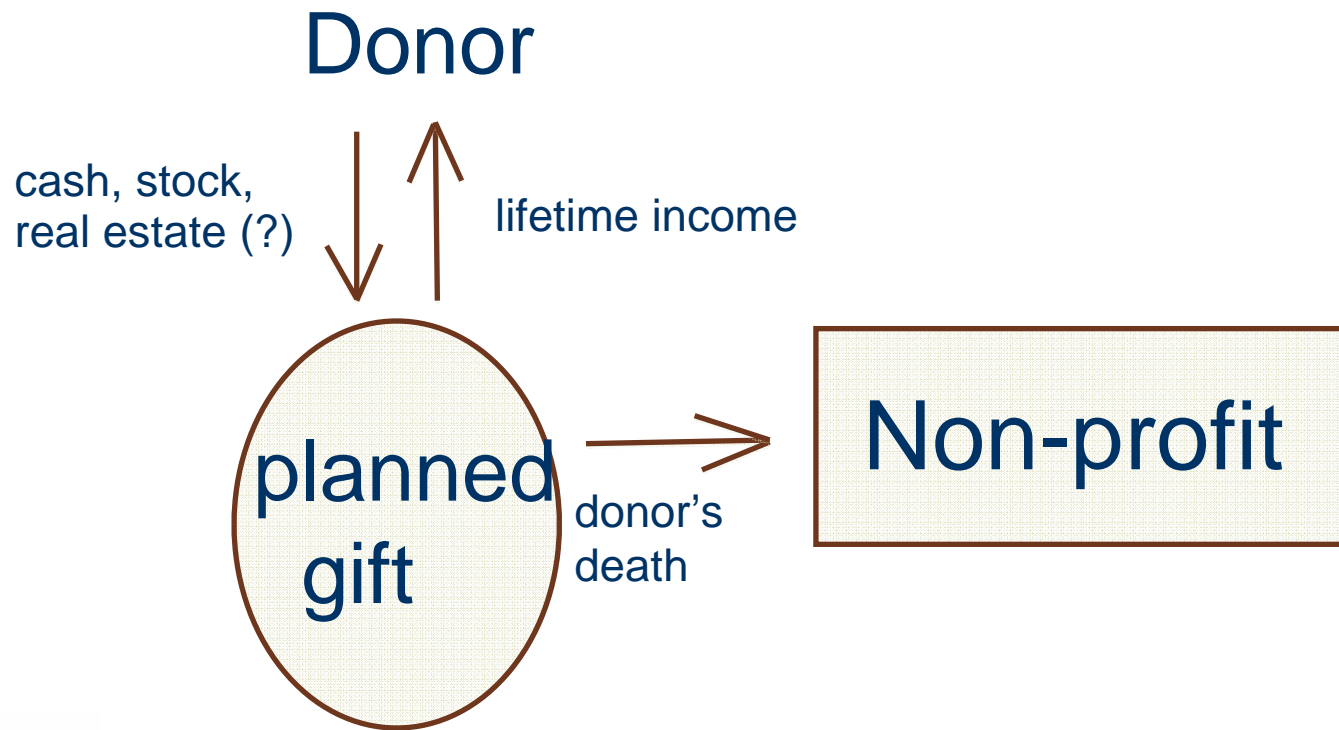
Revocable gifts

Irrevocable gifts

pay life income



Irrevocable Gifts That Pay Life Income



The Life Income Gifts

(a/k/a love those acronyms)

- Charitable Remainder Trust (CRT)
 - Fixed income--Charitable Remainder Annuity Trust (CRAT)
 - Variable income--Charitable Remainder Unitrust (CRUT)
- Charitable Gift Annuity (CGA)
- Pooled Income Fund (PIF)--not common



Charitable Remainder Annuity Trust

- Fixed income for life to the donor and another, or any 2 “income beneficiaries”
- Based on a fixed percentage of trust assets valued once, at the beginning
 - must pay at least 5%
- Charitable income tax deduction for present value of estimated remainder to non-profit
 - based on life expectancy, payout rate and IRS rates
- No additional contributions to trust
- At the death of the income beneficiaries, remainder is a gift to non-profit(s) & trust closes



Charitable Remainder Unitrust

- Variable income for life to the donor and another, or any 2 “income beneficiaries”
- Based on a fixed percentage of trust assets revalued every year
 - must pay at least 5%
- Charitable income tax deduction for present value of estimated remainder to non-profit
 - based on life expectancy, payout rate and IRS rates
- Additional contributions allowed
- At the death of the income beneficiaries, remainder is a gift to non-profit(s) & trust closes



Charitable Gift Annuity

- Fixed income for life to the donor and another, or any 2 “annuitants”
- Based on a fixed percentage of the initial gift
- Charitable income tax deduction for present value of estimate of what remains for non-profit
 - based on life expectancy, estimated returns and IRS rates
- At the death of annuitants, remainder is a gift to one non-profit
- Deferred Charitable Gift Annuity: income starts in future
- Substantial web of state regulation, especially in NY & NJ



Pooled Income Fund

- Variable rate of payment from year to year
- Pays income at the rate at which it's earned each year
- Not seen much



Where We Are

- What is Planned Giving
- How is Planned Giving done

Revocable gifts

Irrevocable gifts

pay life income

don't pay life income



Irrevocable Gifts That Don't Pay Life Income

- Irrevocable bequests
- Life insurance ownership
- Retained Life Estate
- Charitable Lead Trust (CLT)

Irrevocable Bequests

- Bequests can be made irrevocable with a testamentary contract
- Not often seen, but useful for gift crediting
- Your relationship with your donor determines whether you approach this
- Varies from state to state (contract law)



Life Insurance Ownership--Non-Profit Owns Policy

- New policy
 - donor deducts premium payments
- Existing policy
 - donor deducts approx. cash surrender value & premiums
- An increase in net assets for non-profit



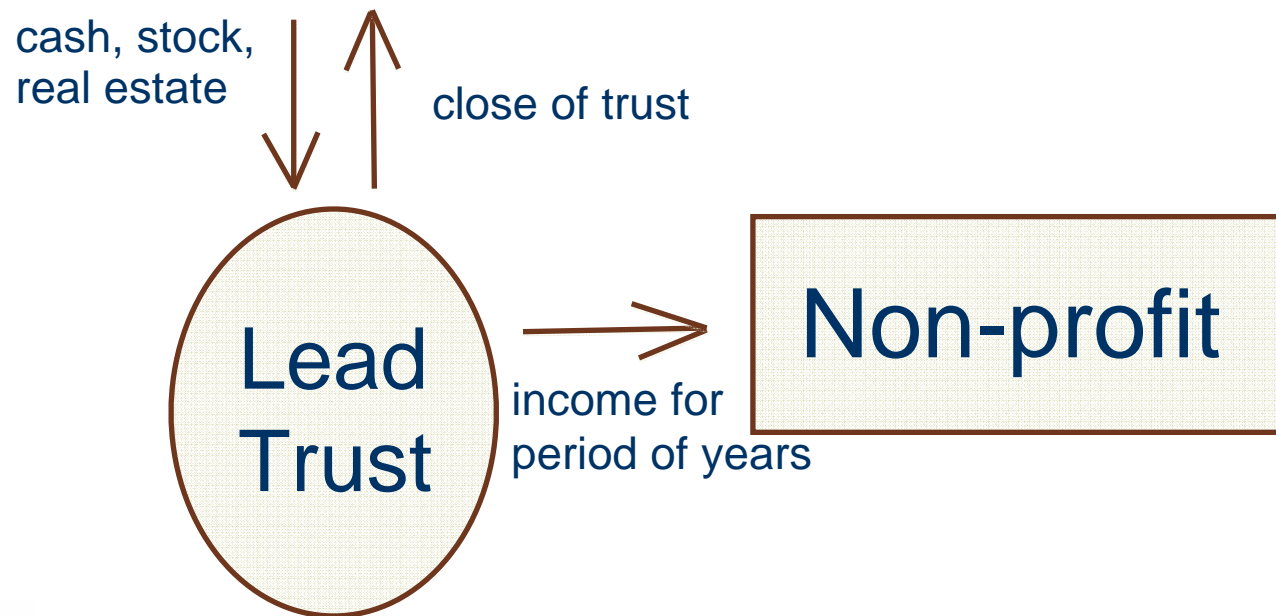
Retained Life Estate

- Not just primary residence
- Expiration, then transfer by deed to non-profit
- Wave bye-bye “remainder interest”
- Yet retain “life interest”
- Or, a/k/a Life Estate
- Report upfront, immediate deduction
- Keeps donor paying taxes, maintenance, insurance, repairs



Charitable Lead Trust

Model: Donor



Charitable Lead Trusts

Fixed or Variable Income To Non-Profit

Charitable Lead Annuity Trust (CLAT)

- Donor cannot add to it
- Fixed rate (percentage) for income to non-profit
- Fixed dollar amount of income each year

Charitable Lead Unitrust (CLUT)

- Donor can add freely
- Fixed rate (percentage) for income to non-profit
- Variable dollar amount of income each year due to annual revaluation



Where We Are

- What is Planned Giving
- How is Planned Giving done
 - Revocable gifts
 - Irrevocable gifts
 - pay life income
 - don't pay life income
- **Who are the best prospects**



Who Are The Best Prospects- Where To Look

- Board for leadership gifts
- Annual giving
- Giving
- Major giving
- Exclude events & last year's dinner honoree (unless committed)



Who Are The Best Prospects- Bequests

- Age 55 and over
- Giving consistency is key
- Ignore gift size
- Any wealth level
- Any asset portfolio



Who Are The Best Prospects- Living Trusts

- Anybody who has one
- Look closely at checks you receive
-- “Trustee,” “Revocable Trust,” etc.
- Listen closely to your gift officers, who hopefully listen closely to your donors
- Generally not created for charitable purpose or at suggestion of a non-profit



Who Are The Best Prospects- Beneficiary Designations

- Any age, these assets are common
- Any wealth level
- Any asset mix



Who Are The Best Prospects- Charitable Remainder Trusts

- Age 60 and over
- Major donor
- Concerned about income
- Upper-middle or high wealth level
- Appreciated assets in portfolio especially good; cash works



Who Are The Best Prospects- Charitable Gift Annuities

- Age 65 and over
- Any giving level
- Concerned about income
- Middle or upper wealth level
- Appreciated assets in portfolio especially good; cash works



Who Are The Best Prospects- Deferred Charitable Gift Annuities

- Age 50 and over
- Midlevel or major donor
- Concerned about future income
- Middle or upper wealth level
- Appreciated assets in portfolio especially good; cash works



Who Are The Best Prospects- Irrevocable Bequests

- Age 70 and over
- Seeking credit for their bequest
- Any giving level
- Any wealth level
- Any asset portfolio



Who Are The Best Prospects- Life Insurance Ownership

- Age 55 and over
- Likely to have excess policy
- Can pledge premium payments for many years
- Any giving level
- Middle to upper wealth level
- Insurance in portfolio helpful, but you won't know until told; any asset mix



Who Are The Best Prospects- Retained Life Estates

- Age 65 and over
- No heirs, or
- Heirs don't want or need the property
- Any giving level
- Middle to upper wealth level
- Real property in portfolio



Who Are The Best Prospects- Charitable Lead Trusts

- Age 50 and over
- Children or grandchildren
- Concerned about transferring assets
- Can sacrifice current & future income
- Major donor
- Upper wealth level
- Appreciated assets in portfolio especially good;
cash works



Where We Are

- What is Planned Giving
- How is Planned Giving done
 - Revocable gifts
 - Irrevocable gifts
 - pay life income
 - don't pay life income
- **Resources**



Resources

- National Committee on Planned Giving & your local Planned Giving council (ncpg.org)
- American Council on Gift Annuities (acga-web.net)
- Planned Giving Today (pgtoday.com)
- Our e-newsletter-leave your card (mpgadv.com)
- [Planned Giving Simplified](#), Sharpe; Wiley





Planned Giving Demystified

Fund Raising Day
in New York 2008

Delivered by
Tony Martignetti, Esq.
Martignetti Planned Giving Advisors
June 13, 2008