PHILANTHROPY AND FAMILY

Local experts offer insight on how to grow and protect your family's legacy of giving.

BY NAN BIALEK

The charities that have had a profound influence on your life — those that best reflect your family's values — count on your continued support. The process of planned giving can help you maintain your family's legacy of giving to those charities and provide some practical tax advantages as well.

Julie Ellenbecker-Lipsky, president and senior wealth advisor of Ellenbecker Investment Group, says it's important to understand what options are available now for legacy planning. There are ways to minimize personal and estate taxes over time with a smart giving plan, with the added benefit of supporting the causes that are meaningful to your family.

"It's a nice way to make sure that a family's core values live on in future generations," Ellenbecker-Lipsky explains. "There are lots of ways to pass down those family core values."

Maureen Hansen, president of SVA Wealth Management, notes that there are several routes to take for planned giving, and the best route for any person will depend, somewhat, on their age.

An individual who is over 70 ½ years old is required to take a minimum distribution from their Individual Retirement Account (IRA). In that situation, the person can opt to transfer that minimum distribution amount directly to a certified nonprofit (one that has 501(c)3 tax-exempt status). This is called a "qualified charitable distribution," or QCD.

Kelsey Berns, associate attorney at Reinhart Boerner Van Deuren s.c., points out that a QCD "lowers the donor's taxable income rather than providing a deduction, which means that QCDs can be used even if the donor does not itemize deductions." There are limitations to QCDs, however — in addition to the age requirement, a limit of $100,000 can be transferred in one year. However, Berns says, QCDs are extremely effective planning vehicles for those who qualify.

Berns notes that many donors are surprised to learn that planned giving can be structured in a way that benefits the charity while still providing the donor a stream of income for one or more lifetimes. For example, a charitable remainder trust (CRT) is an irrevocable trust that provides the donor with an immediate income tax deduction and a stream of income for life. Upon the donor's death, the CRT passes to the donor's pre-selected charity. A similar structure is used for charitable gift annuities, she says.

Hansen says if the donor is not yet 70 ½ years old, they can give assets directly from a brokerage account, such as shares of stocks or mutual funds. For example, if you bought a mutual fund for $10, and its value has appreciated to $25, when you give that mutual fund to a charity you are credited with a $25 gift.

"So the key is to make sure you don't sell ahead of time; that you transfer the share in-kind to the charity," Hansen says. "Most charities have a brokerage account set up so they can receive shares of stock or mutual funds."

Ellenbecker-Lipsky says donor-advised funds (DAF) are increasing in popularity because of the recent changes in the tax law. Because some donors are no longer itemizing their taxes, they lose the tax benefit of charitable giving. But a DAF may allow them to continue giving and get a tax benefit as well.

"It allows somebody to contribute either a highly appreciated stock or cash into a fund, and you get the deduction the year you put the money in," Ellenbecker-Lipsky says, "but you don't have to give it away until future years."

Hansen says a DAF can be opened with any of the major custodians, such as Schwab Charitable or Fidelity Charitable.

"Let's say you moved $100,000 to that account," Hansen says. "You can take a deduction for the full $100,000 in the year you did it. Let's say you'd normally donate $20,000 per year. So each year, you'd donate $20,000 from your DAF account. And you can always add to it down the road." If you give to many charities, she notes, they can all receive gifts through the DAF account, making your philanthropic gifts easily manageable.

Berns adds that a DAF allows the donor to hone his or her charitable objectives over time while receiving an upfront income tax benefit.

There are other options for charitable giving, such as donating land or a home, Hansen notes. However, the donor should consider whether the charity has the resources to deal with the gift. For example, if you are donating land, you may also want to provide funds for the maintenance of the property.

Ellenbecker-Lipsky says there are a lot of benefits to living a generous life.

"I just encourage everybody who has philanthropic goals to work with their financial advisor and their tax advisor to determine what will have the best impact on their tax situation and longevity of their assets, as well as align with their overall personal and family philanthropic goals," she says. MKE

Undecided about which charities to support — or looking for another with which to share your gifts? Tune in to WISN-AM Radio 1130 at 10 a.m. Sundays for the "Milwaukee's Philanthropic Community" show, fully sponsored by Ellenbecker Investment Group. The program highlights nonprofit community organizations and helps listeners learn how to donate their time, talent and financial gifts to local causes.