

# Let's Talk About Gift Planning!

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# Power of Planned Giving

Integrated Gift Approach: Marty and Olivia

\$350,000 bequest intention → \$1,750,000 blended gift



# How do we embrace the power?

## **Know what's in the Gift Planning Toolbox!**

**\*Focus on the solution, not the technique**

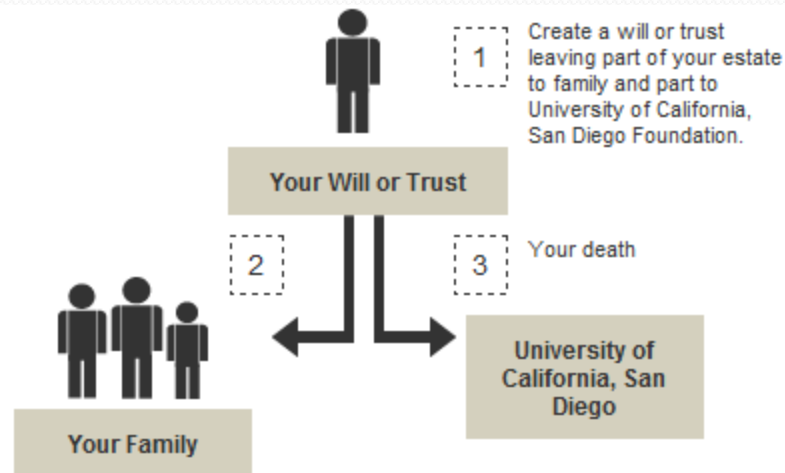
**\*Don't worry if you don't know all the details of these gift vehicles**

# The Gift Planning Toolbox

## Bequest

### Leave an extraordinary legacy

- A donor can leave a legacy at one or more charities by including a gift in his or her will or living trust
- A bequest is fully revocable, providing maximum flexibility to the donor
- Donors often learn about the option of a charitable bequest from the charity, not from their financial or legal advisors
- **The overwhelming majority (70+%) of planned gifts are bequests**

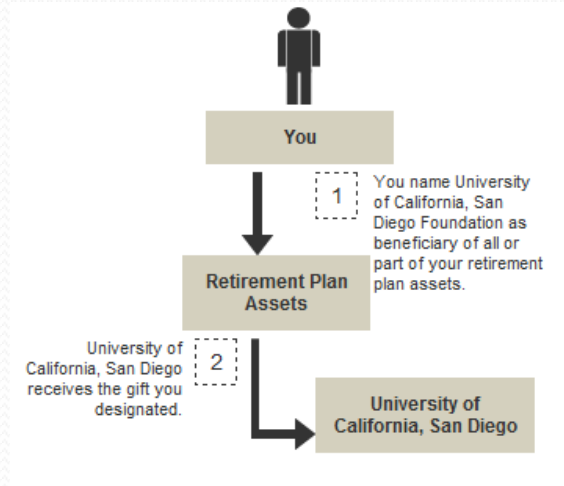


# The Gift Planning Toolbox

## Retirement Plan Assets

### Avoid double taxation

- Retirement accounts such as IRAs, 401(k)s and 403(b)s can be subject to double taxation – ordinary income tax and estate tax – as much as 60% can be washed away in taxes if left to heirs
- Retirement assets left to organization transfer tax-free
- Beneficiary designation and lifetime transfers receive favorable tax treatment

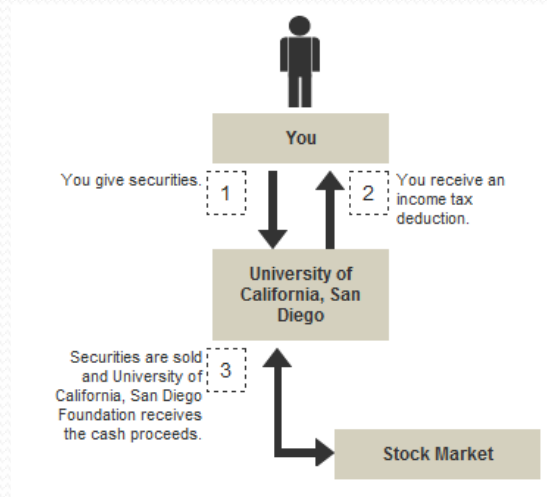


# The Gift Planning Toolbox

## Appreciated Securities

### Minimize tax and maximize gift

- Gifts of appreciated securities can be more tax efficient than cash
- When a donor gives securities directly to the organization, they receive an income tax deduction for full fair market value
- Donor avoids all capital gain



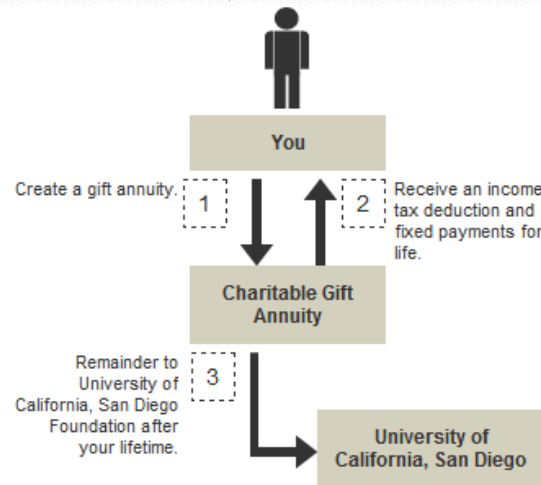
# The Gift Planning Toolbox

## Life Income Gifts

### Make a gift and receive income for life

#### Charitable Gift Annuity

- Donor makes irrevocable gift to charity, in return the organization promises to make lifetime annuity payments to one or two individuals
- The contractual obligation to make the annuity payments for life is fully backed by the organization and its assets, making this a secure source of future income
- After the death of the last annuitant, the balance of the remaining gift is used by the organization for the benefit of the donor



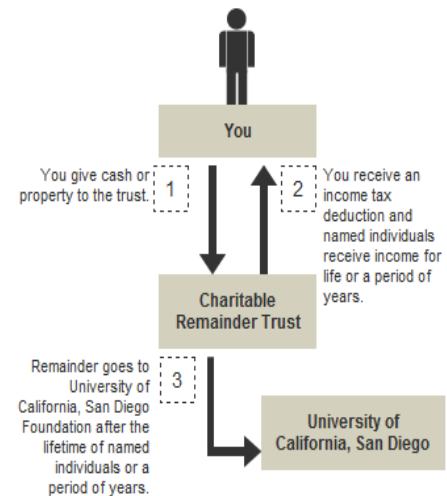
# The Gift Planning Toolbox

## Life Income Gifts

### Make a gift and receive income for life

#### Charitable Remainder Trust

- Pays to individual beneficiaries an annual amount for their lifetimes or a fixed period
- Donors claim an income tax deduction equal to the present value of the remainder to come to the organization
- When the CRT ends, the remaining assets are distributed to the organization



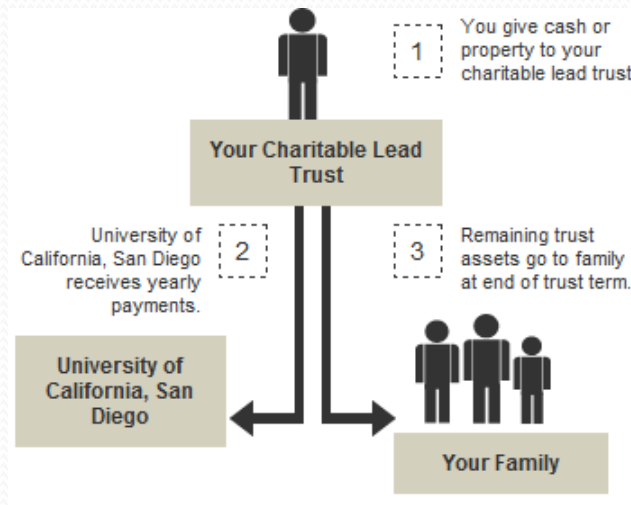


# The Gift Planning Toolbox

## Charitable Lead Trusts

### Valuable wealth transfer tool

- A charitable lead trust can greatly reduce or eliminate gift or estate tax on assets passing to family members
- The charitable lead trust makes annual payments to the organization for a period of time set by the donor, then distributes the remaining assets to donor's family
- This can provide a significant gift to the organization now and be an advantageous way to transfer appreciated assets to children or grandchildren with little or no tax

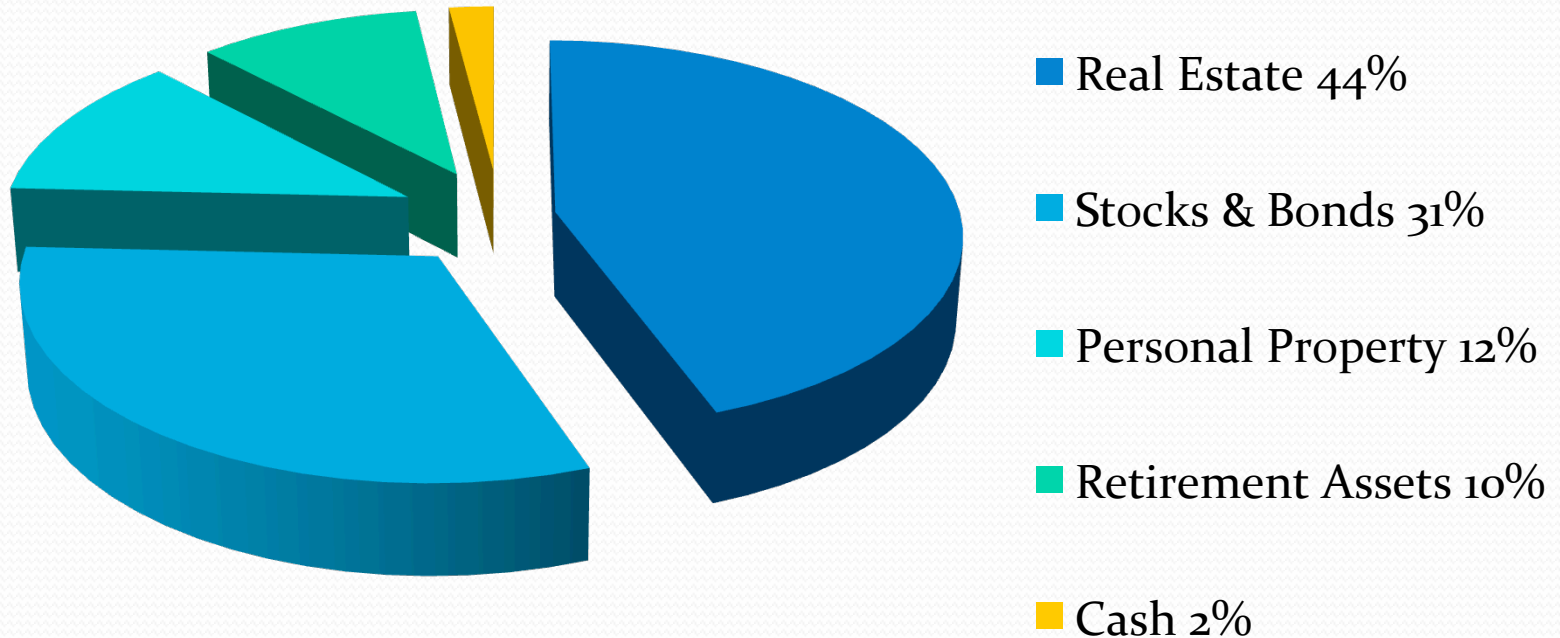


# Who are the best prospects for planned gifts?

- Loyal donors
- Age range: 40-60 years old (not 70+!)
- All income levels, not just the super wealthy
- Single, no dependents

# Donor wealth profile

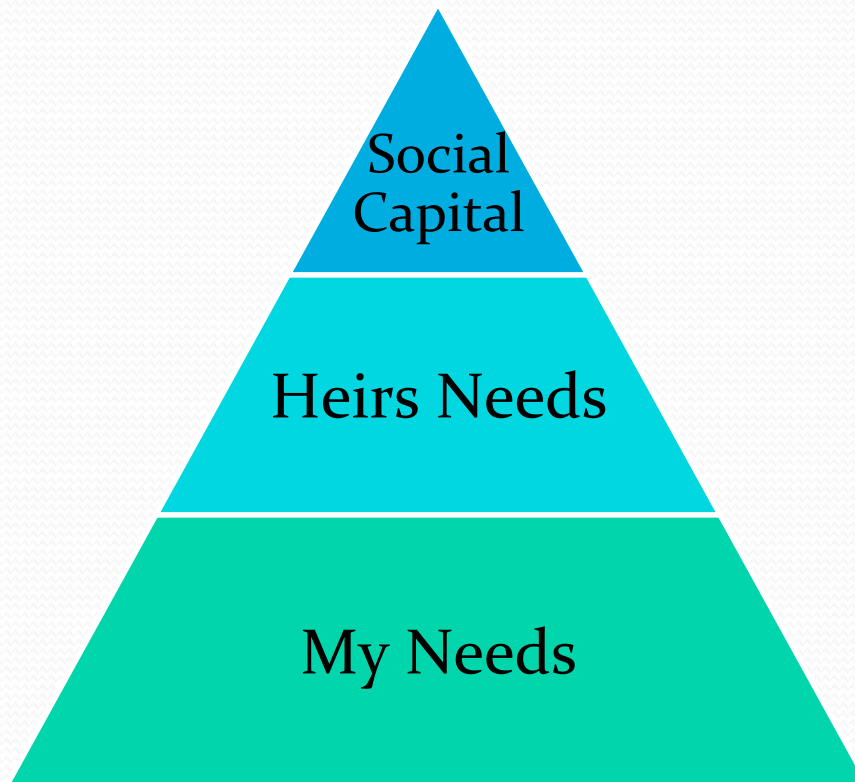
Why focus on the smallest slice of the pie?



Source: US Census, per Craig C. Wruck

# Know your donors!

- Strategic donors ask three questions:



Would I rather my trustee write a check to the IRS or to my favorite charity?

How much should I leave my heirs?

Do I have enough to live on for the rest of my life?

# The Integrated Gift Approach

- Think of gift planning vehicles not in their technical sense, but as solutions to common concerns:
  - Worried about outliving my money (CGA, CRT)
    - **Make a gift and receive income for life**
  - Most of my net worth is tied up (stock, real estate)
    - **Minimize tax and maximize gift, unlock asset value**
  - I'm concerned about estate taxes (lead trust)
    - **Valuable wealth transfer tool**
  - I feel uncomfortable giving right now (bequest, life ins, retirement plans)
    - **Leave an extraordinary legacy, leverage an untapped resource**

# The Integrated Gift Approach: Marty and Olivia

- Update their bequest to UC San Diego
- Didn't have a particular program in mind
- Marty is a Jacobs School of Engineering alumnus and first in his family to go to college
- The Office of Gift Planning introduced Marty and Olivia to The Preuss School and JSOE development officers
- The concept formed for an engineering scholarship for first generation students

# The Integrated Gift Approach: Marty and Olivia

- OGP worked with the UC San Diego Foundation CFO and the UCSD director of financial aid
- Marty and Olivia's original \$350,000 bequest became a \$1.5 million bequest for an engineering scholarship fund at the JSOE with preference for Preuss students
- Marty and Olivia were thrilled with their testamentary scholarship
- But wait...there's more!

## The Integrated Gift Approach: Marty and Olivia

- Marty and Olivia were so excited about their new scholarship that they want to establish it during their lifetime, so they made a \$250,000 outright gift:
- \$87,464 in the form of an IRA Charitable Rollover
- \$132,150 in appreciated securities (where they also realized additional tax benefits)
- \$30,386 in cash



# The Integrated Gift Approach: Marty and Olivia

In the end...

- A \$350,000 bequest turned into a \$1.75 million scholarship fund.
- Low income engineering students will see their dreams become reality.
- Marty and Olivia met the first scholarship recipient last fall!
- Their legacy will live in perpetuity.
- ...All because we were there to answer a question about updating their will!

# How do you steward planned gifts?

- Stewardship is extremely important!
- Stay in touch. Remember that beneficiary designations in trusts, retirement funds and life insurance are completely revocable.
- Say thank you often. Make sure your leadership does too!
- Create a legacy society for this important group with special perks, access and activities.

Gift planning lets you help your donors realize their legacy dreams!

