[Planned Charitable Gifts Can Ensure Family Legacy, Shrink Tax Bill]

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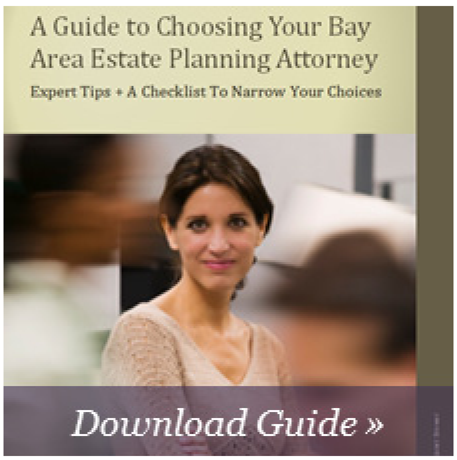

Not only is charitable giving a praiseworthy choice, it can also reduce tax liability. Certain kinds of gifting is income- and estate tax deductible, and in this article I share the IRS's guidelines.

In order to take advantage of the income tax savings benefits of charitable giving, a donation must meet certain requirements established by the IRS.

IRS rules for charitable giving

1. The donor cannot benefit from the donation*
2. The donor must be able to substantiate the donation
3. The donation must be made to or for the benefit of a qualified charitable organization, and
4. The donation may not exceed the current statutory ceiling

* However, structured properly, you can receive an income stream from a charitable trust and still receive an income tax deduction for the charitable portion of the gift - please contact us to discuss your particular situation.

Taxes and charitable giving

Let's distinguish between the income tax side and the estate/gift tax side:

- If it goes to charity it is deductible from your estate
- If it goes to loved ones, it's not

The Tax Code limits the income tax savings of a charitable gift to a percentage of the donor's adjusted taxable income (or AGI) reported each year on your 1040. But every dollar you give to charity is deductible if the charitable gift it is made as part of your will or trust. So people like Warren Buffet and Bill Gates can give their kids up to $5M - and pay no estate tax if they give their other billions to charity through their will or trust.

Outright gifts vs. deferred gifts

Charitable gifts fall into two categories: outright gifts and deferred gifts. An outright gift is an immediate gift made to a charitable organization. An outright gift has the following characteristics:

- The donor has no influence or control over the charity
- The donation is at the disposal of the charity, and
- The donor retains "no legal or equitable interest" in the donated property

A deferred gift is also known as a planned gift or a partial gift and may take any of the following forms:

- A bequest in a will or living trust
- A beneficiary designation on a retirement plan or life insurance policy (caution: this needs to be handled carefully to avoid unintended tax consequences)
- An irrevocable commitment to transfer property to a specific charity upon the death of a specific beneficiary or after the lapse of a stated period of time (a Charitable Remainder Trust); or
- An irrevocable commitment to convey property temporarily to charity in trust with the understanding that the property will be returned to a non-charitable entity upon the death of a designated beneficiary or after the lapse of a stated period of time (a Charitable Lead Trust)

Getting legal help

Charitable gifts can take many forms. Talk with an attorney experienced in planned giving to determine what's right for your situation. It depends on your age, your goals, age of beneficiaries, size of the gift, and more. In addition to trusts, there are several other charitable gifting strategies which may be utilized to maximize estate tax savings. I am a board certified estate planning and probate attorney specializing in the representation of high-net worth clients in Los Altos, Santa Clara, Palo Alto, Stanford, and the surrounding areas -- and can help you develop the best strategy.