

# CHARITABLE GIVING CONSIDERATIONS

*Presented by:*

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## **MARY E. VANDENACK**

### ***Estate Planning Attorney***

Mary E. Vandenack is founding partner of Parsonage Vandenack Williams, LLC. She practices in estate, business, tax and retirement planning. Mary has also done significant work in the non-profit and charitable arenas.

Mary graduated magna cum laude from Creighton University School of Law and summa cum laude with a Bachelor of Science in Business Administration and Accounting from College of Saint Mary. While at Creighton, she served as Editor-in-Chief of the Creighton Law Review, was inducted into Alpha Sigma Nu Jesuit Honor Society and was a Domestic Moot Court Champion and Best Oral Advocate.

As a member of the Nebraska State Bar Association, Mary has been active on several committees including the Publications Committee, the Nebraska Lawyers Assistance Program and the Business Law Section. Mary is a member of the American Bar Association Sections on Taxation and Law Practice Management. She has been published in *Taxation for Lawyers* and the *Akron Law Review* and is a regular speaker at seminars on estate planning and charitable gift techniques.

Mary is a member of the Omaha Estate Planning Council and is admitted to practice in the federal and state courts in Nebraska. She is a member of Saint Stephen the Martyr Catholic Church, where she serves on the Finance Board and Development Committee. She was a director of the church's Vision Campaign. Mary currently serves as Vice Chair on the New Cassel Foundation Board of Trustees.

# **CHARITABLE GIVING**

## **Lifetime vs At Death**

### **1. Lifetime Giving**

- You get to see the impact
- Control
- Income Tax Savings
- Estate Reduction

### **2. Giving at Death**

- Leaves a legacy
- Preserves principal while you are alive
- Estate tax benefits

### **3. What is your Motivation?**

- Give to society
- Benefit a cause/organization you feel strongly about
- Become involved
- Tax savings (income or estate)

## 1. Lifetime Giving

### Option #1 – Write a Check

- Easy
- Immediate
- Income Tax Deduction
- Removed from Estate
- You see the charity benefit while you are here

### Option #2 – Donate Appreciated Asset

Example – You bought stock for \$100. It is now worth \$10,000. You donate to Do Good Charity.

- Simple
- Income tax deduction of \$10,000
- Charity can sell without paying tax on the gain
- Asset is removed from your estate
- Possibilities – stock, real estate

## 1. Lifetime Giving

### Option #3 – Transfer Life Insurance

- You have charitable deduction equal to “interpolated terminal reserve value.”
- Charity ultimately can receive face value. (Consider lifetime transfer versus naming charity as beneficiary.)
- Additional payment of premiums by donor is additional charitable deduction for income tax purposes.
- Face value of life insurance is removed from your estate. (Be aware of three year rule.)

### Other Options - *can also be accomplished at death*

#### Charitable Remainder Trusts

- Charitable Lead Trusts
- Private Foundations
- Charitable Gift Annuities
- Donor Advised Funds at Community Foundation
- Charitable Funds at Investment Firms

## 2. Death Giving

### Option #1 - Bequest

- Gift is made by Will
- Gift occurs after death
- Gift can be made to one or more charities
- Gift can specify an endowment fund
- Estate tax deduction
- You do need a will (or trust)

### Option #2 – Name Charity as IRA Beneficiary

- IRAs are “double” taxed at death in the sense of being included in your estate and being subject to income tax as distributed.
- If an IRA is part of your estate and you desire to make a charitable gift at death, this is one of the most tax effective techniques.
- This approach is also SIMPLE. All that is required is a beneficiary designation.

### Additional Tax Effective Death Giving Options

- Interest on U.S. savings bonds
- Accounts receivable
- Deferred compensation
- Payments on installment obligations
- Death benefits from annuities
- Accrued royalties under a patent license

### **3. Other Considerations**

#### **Income Tax**

Not all charities are the same –

- 50% of AGI v. 30% of AGI
- Appreciated property - Full market value to 30% of AGI vs. Cost Basis up to 20%
- Unused contributions can be carried forward 5 years

#### **Estate Tax**

Federal Estate Tax applies at \$1.5 million

- Nebraska State Estate Tax applies at \$1 million
- Nebraska State Inheritance Tax - \$10,000

Appraisals required for non-tax gifts over \$5,000.

Delivery of gifts must be accomplished to obtain deduction.