



Planning Ahead: A Q&A on Planned Giving

By Robert H. Levin, Esq.

If you are reading this sentence, it is likely that you or a family member is a supporter of the Loon Echo Land Trust, and therefore somewhat of a philanthropist. Indeed, most of us donate to a variety of educational, environmental, religious, and social service organizations throughout the year. But how many of you have considered *planned giving*, such as leaving a bequest to a charity in a will or designating a charity as a beneficiary of a life insurance contract or retirement plan?

Q: What exactly is planned giving?

A: Good question! Planned giving is a broad term that identifies various ways of making charitable gifts in connection with other financial or estate planning. Planned giving is “planned” in the sense that the donor often sits down with an advisor (attorney, accountant, financial advisor, insurance agent) to discuss how to structure a gift so as to maximize the tax benefits. Although planned giving can involve a current gift, it usually involves setting up a future gift, such as through a will. Another way to think of planned giving is to view it as a gift of one’s assets, rather than a gift from one’s current income.

Q: What Needs to Be Planned?

A: There are three main planning considerations in making a gift: 1) the timing and structure of the gift; 2) the assets conveyed; and 3) in some cases, the charity’s use of the gift. The timing and vehicle of the gift is necessary to make sure that the donor meets other planning goals such as retaining enough income for retirement. As for assets, most of us have a variety of different kinds of possessions, ranging from liquid assets such as cash and stocks to fixed ones such as real estate and personal property. There are a host of tax and practical advantages to gifting certain assets over others. Lastly, proper planning ensures that your gift is of the type that a charity can use.

Q: What are the Different Types of Planned Giving?

Wills – The most common kind of planned gift is through a will. When I draft wills for clients, I always ask if they would like to make any charitable donations. If you are concerned that you will not have enough money to pass on to family members, you might consider structuring the bequest so that it is contingent on the estate being above a certain dollar figure. Also keep in mind that a will can be amended or revoked, so you are not making a binding commitment.

Beneficiary Designations – Many people are not aware that they can name a charity as the beneficiary of a life insurance policy or a retirement plan. New federal regulations make it easier than ever for a person to donate the proceeds of his retirement plan upon his death. Check with your advisor for details.



Donating Appreciated Assets – The outright donation of appreciated assets such as stocks and securities is preferable to the donation of cash because the donor avoids paying any capital gains tax on the asset.

More Advanced Tools – There are a variety of advanced planned giving vehicles that make sense for donors with substantial assets who are considering gifts above \$10,000. These include charitable gift annuities and charitable remainder trusts, which allow the donor to retain an income stream during her lifetime.

Q: Who Can Help Me Plan a Gift?

A: Estate planning attorneys or accountants are probably the most knowledgeable advisors for planning a gift. In addition, a financial advisor or an insurance agent might also be able to help you. Certain charities have staff who can explain gift options to you, but at some point it is wise to obtain the advice of an independent advisor. In any event, it is important that you work with someone who is knowledgeable about planned giving and who will respect your charitable intent. A good advisor should make you aware of all of your options, but not encourage or pressure you to make a gift.

Q: Why Should I Consider Planned Giving?

A: At the end of the day, there is only one good reason to make a planned gift: to support a charitable cause. Although most of the planning will entail examining the tax effects of the gift, it is important to remember that the main motivation is to make a gift, not to save taxes. In short, planned giving can be a very effective approach for someone who has already decided that she wants to make some kind of charitable gift, but would like to explore the best way to do so.

Robert H. Levin is a Maine attorney who specializes in estate planning and land conservation.