CHIEF INVESTMENT OFFICE

Wealth Strategy Report

Benefits of Lifetime Philanthropy

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Your estate plan may include charitable bequests. Implementing some or all of your charitable planning during your lifetime can offer some advantages. It can also offer some disadvantages. These are discussed below.

BENEFITS OF LIFETIME PHILANTHROPY

Among the benefits of making charitable gifts during your lifetime are:

You can reap psychological benefits. Making a charitable gift while alive will give you the opportunity to see and enjoy the results of your generosity.

You can receive publicity, if you want it. Warren Buffett's generosity was the subject of a cover story in Fortune magazine, as a result of his decision to implement a sizeable charitable donation during his lifetime. That kind of publicity can be a nice psychological benefit. On the other hand, if you do not want publicity, there are ways to achieve that, too. For example, a donor advised fund can offer the ability to preserve anonymity if that is important to you.

You can monitor the charity. Although a charitable bequest under your estate plan can impose conditions, you will not be the one monitoring the charity. In contrast, a lifetime gift may indeed let you be the one making sure the charity is following your desires with respect to your contribution.

One way to make sure that a charity is following your desires would be to make your lifetime gifts over several years, rather than in a single lump sum contribution. That allows you to make a subsequent contribution only if you are satisfied with the charity's handling of your prior contributions.

You can nurture your children's philanthropy. One goal you might have when exercising your own philanthropy is to nurture your children's philanthropy. Depending on which charitable vehicle you use (see next page), making a charitable gift during your lifetime can allow you to assist with your children's philanthropic development.

Income tax deduction. There is little or no additional estate tax benefit resulting from lifetime philanthropy. That is, whether you give it away now while you are alive or later under your estate plan, there will be no gift or estate tax on the value of the property transferred to charity. However, there can be a considerable income tax difference. Namely, you will be entitled to an income tax deduction for charitable gifts only if the gift is made during your lifetime;[1] there is no income tax deduction for charitable

[1] Charitable income tax deductions are subject to a number of tax rules and limitations based on many factors, such as type of asset gifted, type of charity and your other income. We have a separate Wealth Strategy Report: *Charitable Income Tax Deductions*. Consult with your tax advisor to determine the amount of your potential charitable income tax deduction.

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bequests made under your estate plan. While this should not be the primary motivation for lifetime philanthropy, it is something to keep in mind.

Retained Benefit. Some methods of lifetime charitable giving allow you to retain a benefit. For example, with a Charitable Remainder Trust, you can fund an irrevocable trust and retain an annual payment for the rest of your life. The charity will receive the remaining trust assets at your death. If you are interested in philanthropy but perhaps are not willing to completely give up the wealth, these methods might provide a solution.

DISADVANTAGES

There are some reasons why lifetime philanthropy might not be the best choice for your particular situation.

Irrevocable. Once you give it away, it's gone. Although that is true both of a lifetime charitable gift and a charitable bequest under your estate plan, a lifetime gift accelerates this. In other words, if you make a lifetime gift, you not only give up the property itself, but also any future income it might earn after the gift is made. Therefore, lifetime philanthropy requires you to be comfortable with this aspect sooner rather than later.

Illiquid assets. The asset you intend to be the source of your philanthropy might not be currently liquid, such as real estate or a closely-held business. Furthermore, it might become liquid only at your death, perhaps as a result of a buy-sell agreement or as a result of insurance. Therefore, lifetime philanthropy might not be an appropriate choice.

CHOOSING THE PROPER GIFTING VEHICLE

There are many different ways to make a charitable gift, beyond simply writing a check. This table gives a brief summary of several of the more common vehicles. The details of these are beyond the scope of this summary; please be sure to consult your attorney or tax advisor before implementing any of these.

— National Wealth Strategies, Chief Investment Office

Vehicle	Comment
Donor Advised Fund	A Donor Advised Fund (DAF) is an indirect charitable gift. You can establish a DAF with an institution and contribute funds. The DAF will thereafter make charitable gifts to operating charities, taking into account the donor's (your) advice. We have a separate summary discussing DAFs.
Private Foundation	Also an indirect gift, but you may retain full control over which charities receive grants from your Private Foundation. Must comply with many tax rules. We have a separate summary discussing Private Foundations.
Supporting Organization	Similar to a Private Foundation, but may be subject to more favorable tax rules relating to your income tax deduction. Dedicated to supporting a particular charity.
Charitable Remainder Trust	You contribute assets to an irrevocable trust and retain an income stream either for a specific number of years (up to 20) or for a lifetime. At the end, the assets go to a charity that you name, which can include a private foundation or donor advised fund. We have a separate summary discussing Charitable Remainder Trusts.
Charitable Lead Trust	You contribute assets to an irrevocable trust. For a term of years, the trust pays an annual amount to a charity you name. At the end, the remaining assets go to your family (children). We have a separate summary discussing Charitable Lead Trusts.
Charitable Gift Annuity	You give money to a charity, and in return the charity pays you an annuity for life. The amount of this annuity will probably be less than if you were to buy a commercial annuity; that's the charitable part.
Pooled Income Fund	You give money to a particular charity, which pools your contribution with contributions of other donors. Each year you receive your share of the pool's income. When you die, your share goes to the charity. This is similar in concept to a CRT.