MARION COMMUNITY FOUNDATION

9 Effective Giving Strategies

Nine ways to make your charitable planned giving as effective as possible

The following is not legal, investment, or tax advice; please consult your own professional advisors. The examples below make assumptions and use facts that may be recently outdated or generalized.

1. IRAs: With just a signature on a simple form, your IRA can create your tax-free legacy.

If you are age 72 or older, you are required to take annual required minimum distributions (RMD) from your IRA. Part of this distribution is taxable income (up to 37 percent!). There is zero tax, however, if you gift the RMD directly to Marion Community Foundation by way of a Qualified Charitable Distribution (QCD). With a QCD, the income you would otherwise have to include on your tax return is now fully excluded. If you want, you can even donate more than your annual RMD – up to $100,000 per year.

Example: You have $100,000 taxable income, which includes $16,000 of RMD. You will likely pay about $15,000 in federal income taxes.

Strategy: Advise your IRA custodian to make a QCD of the $16,000 to Marion Community Foundation. You won't even need to itemize deductions (Schedule A) to take advantage of this strategy. The result is taxable income now of only $84,000, creating a federal income tax of approximately $11,500.

Tax Savings: an estimated $3,500

Beneficiary: designate the charity or charities of your choice through Marion Community Foundation.

Bonus Strategy: Giving your IRA to your heirs can cause big income tax consequences for them. If you're planning to give to a charity through your estate plan, give your IRA, 401(k), or 403(b) to Marion Community Foundation and give cash to your heirs. The retirement plan assets will pass tax-free to Marion Community Foundation and the cash bequest to your heirs will also be income tax free.

2. Appreciated Stock:

Giving stock is almost always more beneficial than giving cash.

With a gift of appreciated securities, you can make a significant gift that is tax deductible and incurs no capital gains tax. Be sure to donate directly to Marion Community Foundation (do not sell it first or you lose the benefit).

Example: You want to make a charitable gift of $10,000 to Marion Community Foundation. You bought 50 shares of Apple stock in 2014 for $100/share ($5,000). The stock is currently worth $200/share ($10,000).

Strategy: If you sell the stock and donate the cash proceeds, you'll pay a capital gains tax of up to 20% on the $5,000 gain – that's a tax of $1,000. Instead, work with your broker and Marion Community Foundation to have the shares transferred directly to the foundation. This direct transfer avoids the capital gains tax plus you can file for the full charitable deduction of $10,000.

Bonus Strategy: Take the $10,000 cash you were going to donate and buy 50 new shares of Apple – now you have your stock back and a stepped-up basis that will benefit you down the road!

3. CGA: Make a deductible charitable gift and receive guaranteed payments for life.

A charitable gift annuity (CGA) pays you lifetime income in return for your donation. This can actually increase your income as these types of annuities typically pay much more than other fixed-income investments like certificates of deposit. And you can get a significant tax deduction.

3. CGA continued

Example: You have a $90,000 CD that is currently paying you 1.8% annualized interest. You want to make a sizeable donation to Marion Community Foundation, but you also want to keep and increase the income you are currently receiving.

Strategy: Marion Community Foundation partners with the Columbus Foundation to offer attractive CGA's. Annuity rates are based on age, so let's assume you are 64 years old.

1. Create an endowment scholarship/grant fund at Marion Community Foundation (it's really simple and only requires a $100 donation).
2. When your CD matures, donate the $90,000 to the Columbus Foundation by purchasing a CGA.
3. Designate Marion Community Foundation as the death beneficiary of the CGA. You'll receive an immediate tax deduction of $31,528 ($90,000 less the amount of the present value you retain).

In this example, the annuity rate will be 5%, meaning you'll get quarterly payments of $1,125 ($4,500 per year) for the rest of your life. At your death, the balance in the annuity will be paid to Marion Community Foundation to fund the endowment you previously created.

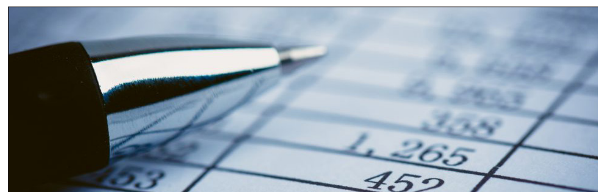
Benefit: $2,880 more in your pocket each year (the excess of the annuity payment over the current payment of your CD).

Bonus: The annuity can be joint with another person so it doesn't pay to Marion Community Foundation until the last person dies. AND, you can use stock to fund the CGA, with the added benefits described in the example in #2 above.

4. CRATs, CRUTs & CLTs:

Make a charitable gift; receive lifetime income that may increase, defer or eliminate tax; and, possibly reduce or avoid gift and estate tax on trust assets.

Charitable Remainder Annuity Trusts (CRAT) or UniTrusts (CRUT) allows you to get lifetime income and Marion Community Foundation gets the remainder. In a Charitable Lead Trust (CLT), Marion Community Foundation gets the lifetime income and your beneficiaries get the remainder. These are much more flexible and have more options than a CGA, but these are going to require an attorney and a trustee and are typically more beneficial for people with significant wealth.



Example: Years ago, you and your wife (ages 65 and 63) purchased some stock for $100,000. It's now worth $500,000. You would like to sell it and generate some retirement income. If you sell the stock, you will have a gain of $400,000 and would have to pay $60,000 in federal capital gains tax (15% of $400,000). That would leave you with $440,000. If you re-invest and earn a 5% return, that would provide you with $22,000 in annual income. Multiplied by your life expectancy of 26 years, this would give you a total lifetime income (before taxes) of $572,000. Because you still own the re-invested assets, there is no protection from creditors and no charitable income tax deduction is available.

Strategy: Transfer the stock to a charitable remainder trust instead. You take an immediate charitable income tax deduction of $90,357. If you are in a 35% tax bracket, this will reduce your current federal income taxes by $31,625. The trustee will sell the stock for the same amount, but because this charitable trust is exempt from capital gains tax, the full $500,000 is available to re-invest. The same 5% return will now produce $25,000 in annual income which, before taxes, will total $650,000 over your lifetimes. That's $78,000 more in income than if you had sold the stock yourself. And, because the assets are in an irrevocable charitable trust, they are protected from creditors and no estate taxes will be due on it when you die.

Bonus: This really works when someone wants to sell a business they've owned for years.

5. DAFs: Need a current year tax deduction, but not ready to pick the charities you want to benefit?

Create a non-endowed Donor Advised Fund at Marion Community Foundation. A Donor Advised Fund (DAF) lets you get an immediately tax deductible, but lets you retain the privilege to advise gifts to various charities of your choice from this fund at any time you want.

Example: You need to rebalance your portfolio OR you're facing a significant tax this year due to a bonus or the sale of a business.

Strategy: Rather than selling $50,000 of appreciated stock, donate the stock to a non-endowed DAF at Marion Community Foundation. You'll get the current year tax deduction of $50,000 and pay no capital gains tax. Then, take your time to make donations from the $50,000 to various charities when you're ready – now or in the future.

Bonus: Already have a commercial charitable account at some place like Fidelity? Make Marion Community Foundation the death beneficiary of this account rather than let it sit unused at a mega-firm and get the impact in your community that you want.

Bonus: Want your gift to be a permanent legacy? Endow your DAF to last forever.

Caveat: Federal law prohibits contributing IRA RMD to a DAF. A DAF can satisfy a non-binding pledge to a charity, but you cannot claim an additional tax deduction.

6. Bunching: A great way to enhance your charitable deduction and take advantage of the current tax law that significantly increased the standard deduction

Paying multiple-year expenses, particularly charitable gifts, by "bunching" them into one year can provided added tax benefits, especially after the latest tax law changes. Combine this strategy with a non-endowed charitable DAF and you really have a winning plan!

Example: You and your spouse typically donate $20,000 per year to charities. The standard deduction for federal taxes used to be $12,700, so you could itemize to get an extra $7,300 deducted on taxes. The standard deduction is now upwards of $25,900, which is great, but doesn't give any added deduction for charity.

Strategy: Double up the donation to $40,000 this year and make no donations next year.

Result: $40,000 tax deduction in year 1 and $25,900 deduction in year 2 (a nearly $14,000 bonus deduction!)

7. Planned Giving:
Plan now – give later.

Endowment funds are about leaving a legacy. Including Marion Community Foundation as a beneficiary in your wills or trust is a perfect way to ensure that legacy – and it costs you nothing during your lifetime!

Example: You are charitable and you want to leave a permanent legacy to your community. You don't want to make a donation at this time and you think endowments are only for wealthy people.

Strategy: Set up a meeting with your attorney and Marion Community Foundation's president to discuss your long-term charitable goals. Based on that discussion, Marion Community Foundation will prepare, at no charge, a fund agreement that reflects those goals. Your attorney will then draft or revise

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your will or trust to say something like the following: *"I give {specific dollar amount or a percentage of your estate} to the {your name} Fund at Marion Community Foundation, which I have previously created."* It's that simple. After you die (or, after the last of you and your spouse die), the endowment is fully funded at Marion Community Foundation to perpetually benefit the charitable purpose you have chosen.

Bonus: You can jumpstart the process with lifetime gifts to build your fund. You can also make "pass-through" contributions to your fund, which can be used to make lifetime grants or scholarships before your endowment is fully funded.

8. POD/TOD:

Planned giving made really simple!

Payable on Death (POD) or Transferable on Death (TOD) are extremely simply ways to designate Marion Community Foundation as a beneficiary without having to necessarily changing your will or trust. These simple tools cost you nothing during lifetime and can be done by completing a simple form.

Example: Like the planned giving example above, you want to leave a charitable legacy to your community, but you're not ready to donate any money at this time. You also want to keep things as simple as possible.

Strategy: Meet with Marion Community Foundation's president to discuss your charitable goals and design, at no cost, the fund agreement stating the name of your fund and your specific charitable purposes. Then, go to your bank or financial advisor to complete a simple beneficiary designation form naming your fund at Marion Community Foundation as the POD/TOD beneficiary of an account (like a CD or an investment account). After you (or you and your spouse) die, the gift goes directly to Marion Community Foundation (it even by passes probate!) to perpetually benefit the charity or charities you have chosen.

Bonus: You don't have to give the full amount in your account; you can designate a percentage with the remaining percentage given to your heirs. An attorney is not necessary for this process, but we recommend you discuss this plan with your attorney to ensure it does not conflict with your other estate plans.

9. Diamonds Last Forever:

Perpetuate your annual giving to your favorite charities

Diamonds last forever, but unfortunately you won't; and neither will your faithful gifts to your favorite charities if you don't plan ahead. You can leave a lasting legacy in your community and let your favorite charities rely on your continuous gifts to help them with their important missions.

Example: You love supporting the Palace Theatre (or United Way, or the YMCA, or you church, etc.) by making regular, annual gifts of $1,000. Your favorite charities love receiving your gifts and even rely on them as regular funding for their important charitable purposes. When you die, however, those gifts will cease unless you've made a planned gift.

Opportunity: Create a "diamond" fund at Marion Community Foundation that names your favorite charities as the designated beneficiary. Donate $0 now, but designate $25,000 (or more) to the fund payable at the time of your death. At our current 4% spending rate and investment returns, your annual $1,000 gift in your name will continue forever!

Bonus: You have many, many gift options to choose from: will, trust, POD, TOD, CGA, CRT, CLT, Life Insurance, Retirement Plans, etc.

Contact us to set up a personal meeting to discuss the above strategies – and more. We're here... **For You. For Marion. Forever.**

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