





David and Adele Phillips (using pseudonyms to protect their privacy) first met through a civic club and found they had a lot in common. Married for more than a decade now, David, 79, and Adele, 52, have no children. They live an active outdoor life dedicated to faith, community service, and each other.

The plan to give away most of their money, they say, has evolved over the years but has been driven by those values.

“Charitable work has always been a part of our lives,” says David, who made his money in real estate and banking. Adele, who inherited some of her wealth and still works in order to maintain her independence, says she has volunteered since childhood. “My grandfather was a pastor, so service was a very big part of our family.”

With that background, Adele says, “It would never occur to us to spend everything we have on ourselves.”

David and Adele have always been active fundraisers and donors. But the plan took on extra urgency, David says, after he was diagnosed with Parkinson’s disease in 2016 and was told he might have just a few years to live. While he’s outlived that initial prognosis, he says the experience “helped me realize I probably should get my plan in order.”

Right now, the Phillipses plan to give money to several charities, including a local nature conservancy, the schools and colleges they attended, and the civic club where they met. They are also planning bequests to a few extended family members.

The Phillipses developed their plan in partnership with their financial advisors, as well as an estate attorney, a certified public accountant, and an executor. They call this their A-team and call the executor their quarterback. “Our plan is solid,” David says, “and everyone knows who will take the lead when the time comes.”

## **Planning a Major Legacy**

Inspired by the Giving Pledge or the Phillipses? To follow in their footsteps, you’ll need a plan and a team to help you execute it. “There are a lot of different ways to go about this,” Walny says, and it’s more complicated than just updating a will.

Wills, in fact, may not be the best way to make major bequests, in part because the probate process can put unwanted public focus on your estate, says Walny.



Other, potentially more efficient, ways to boost lifetime giving or leave assets behind include setting up trusts, creating a family foundation, or putting money in a donor-advised fund (DAF). A DAF is a charitable investment account, administered by an established nonprofit organization. Donors recommend gifts from their accounts but don't directly control the money. For many people, a DAF is more appealing than a family foundation because it eliminates administrative expenses and duties,



Walny says.

However, control of both family foundations and DAF accounts can be passed down to heirs, if that's desired, giving adult children and other family members asset pools to meet their own charitable goals.

Some people also choose to name different charities as the beneficiaries of each of their assets, such as life insurance policies or retirement accounts. Designating a charity as the beneficiary of a traditional individual retirement account (IRA) can be an especially smart move because otherwise your heirs will pay income taxes on the proceeds. "Going this path doesn't change the amount the charity receives but effectively increases what the heirs will net," Gray says.

## **Choosing Charities**

Most people know what they are passionate about, so choosing which causes they'll support isn't a difficult task. But it can take some homework to vet specific organizations that support those causes. Groups such as Charity Navigator and Charity Watch are good sources of information, according to Consumer Reports.

Even if you've designated a recipient, it's smart to dig deeper, Walny says. Anyone planning a major gift should meet with charity administrators to talk about how they might align their philanthropic intentions with the group's needs.

He had one client, he says, who wanted his money spent on guide dogs—until the recipient organization told him that the dogs attracted so many donations that they were "living in 24-carat-gold dog houses," while other programs were severely underfunded. The donor opted to redirect his money to those needs. In other cases, a small nonprofit may not be able to fully capitalize on a large gift if it's a surprise, so starting the conversation early can ease the planning process for both giver and recipient.

## **Giving While Living**

Sometimes, it makes more sense to give now instead of giving after your death. Of course, there are tangible tax benefits to giving while you're alive. Some lifetime gifts, including charitable ones and those that pay direct educational and medical expenses, are exempt from annual gift and estate taxes, and there is no limit to how many such gifts you can make. By reducing the size of your estate, you also reduce the federal estate tax your heirs will pay.

But there is also the intangible benefit of witnessing your positive impact on the world. Also, the causes you care about may need the money sooner rather than later.



Still, Walny says, most people are concerned about running out of money by giving too much away while they're still alive. A financial advisor can be a helpful resource in figuring out how much and how often you can give and how much you will need to conserve.

For those who are considering large-scale philanthropy, Gray says, it can also help put your mind at ease to remember that your giving plans are flexible. "So long as you're alive and mentally competent, you can generally change your mind about where your money goes or how much you will donate."

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