*Please note: This is a transcription so there may be slight grammatical errors.*

As an endowment or foundation, an important aspect of fundraising is having a strategy around planned giving in addition to receiving regular donations of ordinary income.

Planned giving, also known as gift planning or legacy giving, is a donation to charity that requires a more strategic approach than simply writing a check. Unlike standard donations, planned giving can allow individuals to create a legacy, reduce taxes, and make significant gifts to the charities of their choosing. Some forms of planned gifts even allow the donor to make a large gift to an organization and receive a monthly income too. Individuals will need to invest some time to determine the best way to make a donation that will be mutually beneficial to them and the charity. Because they are typically larger than the day-to-day donations that nonprofits receive, planned gifts can be life-changing for your charity and your mission. These gifts help to create long-term stability, fund causes in perpetuity, allow you to execute your mission in new ways, and takes some burden off of annual development goals.

If an individual approaches your organization about a planned giving strategy, there are several ways they can think about giving. A really simple way is by changing the beneficiary designations on an IRA to a charity. Another easy way is through qualified charitable distributions or QCDs. For donors over 70-and-a-half who would like to make a charitable contribution a QCD can offer a simple way to give while taking a tax advantaged approach. A QCD also satisfies a donor's annual required minimum distribution from their IRA, reduces income taxes, and reduces future RMDs. Donors can make a qualified charitable distribution of up to $100,000 per calendar year, or $200,000 for married couples. But it's important to note, QCDs can only be made from IRA assets.

Another planned giving strategy involves a donor giving a non-profit a gift of a long term appreciated property. The non-profit benefits from the gift and the donor typically won't pay capital gains when the asset is sold by the non-profit. The donor, in turn, can deduct the fair market value of the gifted asset. Donors may lower estate taxes by giving money, assets, or property at their death to charity. Donations given through a will, beneficiary designations, charitable remainder trusts, or remainder interest deed will not be included in the donor's estate for estate tax purposes. Donors can even lower their heirs' income taxes by gifting tax-heavy assets, such as traditional retirement accounts, to charity.

If a donor wishes to make a gift and lower their income taxes, they might consider using a popular vehicle called a donor advised fund or DAF. With a DAF, a donor contributes to a private fund and then can distribute the funds to their chosen non-profits over several years while maximizing the charitable tax benefit in a single year. DAF assets can also be invested and continue to grow tax-free until they're ultimately gifted to charity. There are other strategies to consider here too, so make sure you talk to professional advisors about what's best for your donors.

If a donor wants to make a gift but is concerned about needing income, they might be a good fit for either a charitable gift annuity or a charitable remainder trust. Both allow the donor to make a sizable gift to the charity and receive an income tax deduction. The charity then pays an income stream to the donor, their spouse, or even other beneficiaries. At the end of the term, the charity gets to keep the balance of the gift.

Another planned giving strategy is through a charitable lead trust or CLT. A CLT does the opposite and pays an income stream to the charity, or charities, of the donor's choice for a certain term, and the remaining amount pays out to the donor's beneficiaries. However, the donor still gets an income tax deduction upfront for the gift to the charity.

As always, donors should speak to their tax, legal, and financial advisors before making any type of planned giving commitment. Planned gifts are an important component of a long-term fundraising strategy and can have a major positive impact on your endowment or foundation. Ready to engage your donors? Then call CAPTRUST. We're here to help.