

Hi, just a reminder that you're receiving this email because you have expressed an interest in Community Foundation of Orange & Sullivan. Don't forget to add admin@cfoc-ny.org to your address book so we'll be sure to land in your inbox!

You may [unsubscribe](#) if you no longer wish to receive our emails.

Charitable advice and tips of the trade for professional advisors

Under Advisement

charitable advice for professional advisors

PHILANTHROPY IN PRACTICE

Don't Let Death Scare You - ESTATE PLANNING COULD HAVE REWARDS

When preparing an estate plan, people often fail to consider the rewards - both emotional and financial - of giving to charities, whether during their lifetime or after death. Besides the personal satisfaction inherent in charitable giving, the government provides significant incentives in the form of income, gift and estate tax benefits to those who make charitable gifts.



Richard J.
Shapiro, Esq.

For some people, the tax incentives provide the sole reason a person makes a charitable gift; for others, the gift would have been made in any event, and the tax break is simply the icing on the cake.

Here are the main mechanisms for charitable giving, and some of the accompanying tax benefits:

1. Outright Gifts - the simplest form of charitable giving. A gift of cash provides a deduction on your federal income tax return (provided that you itemize deductions), and in the state of your residence if you live in a state that has its own income tax. The deduction is dollar-for-dollar against taxable income (up to a maximum of 50% AGI), subject to adjustment for those in higher brackets. Gifts of appreciated securities allow the deduction for the fair market value of the asset, rather than its cost basis, but only up to 30% of adjusted gross income. This feature can provide a nice benefit for those looking to avoid capital gains taxes. Outright gifts also remove the asset (and all appreciation) from the donor's estate, potentially reducing estate tax liability.

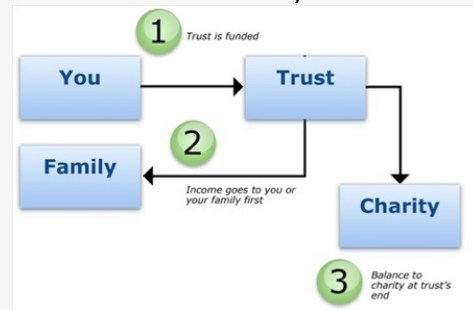
2. Gifts of Life Insurance - a gift of a life insurance policy to charity allows the leveraging of a gift, since the death benefit often far exceeds the premiums paid by the donor. CAVEAT: there is a loss of all income, gift and estate tax charitable deductions if the charity lacks an "insurable interest" in the donor under state law. New York law specifically provides

that a charity has an insurable interest in the life of a donor of a life insurance policy.

3. Charitable Gift Annuities - with this structure, the donor irrevocably transfers money or property to a qualified organization in return for its promise to pay the donor, another person, or both, fixed and guaranteed payments for life. In substance, the transfer is part charitable gift and part purchase of an annuity. The older the annuitant, the larger the annual payments. The charitable contribution is the difference between the amount of money (or fair market value of securities or other property transferred) and the value of the annuity. A percentage of each annuity payment, as determined by government tables, is income tax free.

4. Split Interest Gift Trusts - these types of trusts constitute an agreement where one party receives income for a term, and another party receives the remainder. These vehicles provide significant income tax, gift tax and estate tax benefits.

a. Charitable Remainder Trust ("CRT") - the donor transfers assets to a trust. The donor (and often a spouse or children) receives a stream of income for a term of years, or for life. Upon the death of the last remaining income beneficiary, the assets remaining in the trust pass to a qualified charitable remainder beneficiary. These trusts work well when the donor contributes appreciated assets to the trust. Since a CRT is a "tax free" trust, the trustee can sell the appreciated assets without incurring a capital gains tax upon sale; the full value of the assets is then available for investment and production of income. Income payable to the donor will be taxable; BUT, the donor will also receive a significant income tax deduction which, if it cannot be fully utilized in the year of the gift, can be carried over for up to five additional years.



Charitable Remainder Trust

Since the remainder interest passes to a charity and not to family members, the "lost" assets can be replaced through use of a "wealth replacement trust" - simply, a life insurance trust which will pass all of the death benefit estate tax and income tax free to the children or other beneficiaries.

b. Charitable Lead Trust ("CLT") - a CLT is essentially the opposite of the CRT; with a CLT, the charity receives the income for a term of years, with the remainder then passing to the donor's family (usually children or grandchildren). A CLT can be an excellent vehicle for "zeroing out" estate taxes; that is, the donor's will or revocable trust can include a CLT that is funded after the donor's death only if there would be an estate tax payable at that time. The will or revocable trust would include a formula to fund the CLT with those assets necessary to reduce the donor's taxable estate to zero. If there is no estate tax due at the donor's death, the CLT would not be formed (unless the donor wished to make the charitable gift regardless of the estate tax issues). A CLT also provides the donor with significant income tax, gift tax and estate tax benefits.

One easy and cost effective way to take advantage of many of the benefits described in this article is to establish a fund with the Community Foundation of Orange & Sullivan County!

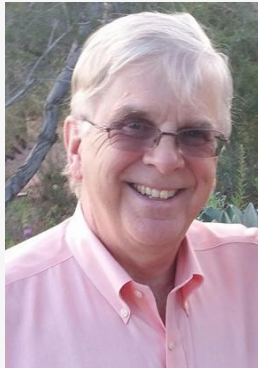
Richard J. Shapiro, a partner with [Blustein, Shapiro, Rich & Barone, LLP](#) in Goshen, NY, is "AV" rated by Martindale-Hubbell and named a "Super Lawyer" in Estate Planning and Probate Law. He is a member of WealthCounsel, ElderCounsel, the National Academy of Elder Law Attorneys, the New York State Bar Association (Trusts and Estates and Elder Law Sections), and the Hudson Valley Estate Planning Council. The information in this article is for general information purposes only and is not, nor is it intended to be, legal advice.

**SAVE THE
DATE**

UPCOMING EVENTS

May 17

Hudson Valley Gives - A day of online giving fueled by social media. Modeled after **#GivingTuesday**. Please encourage your clients to give generously - and often - to charities registered online with **HVGives.org**. Tag social media posts using **#HVGives**.



J. Sadler Hayes

ADVISOR INSIGHTS

End of Life Giving: MAXIMIZING A WILLED BEQUEST

Many people want to remember their favorite charity, school, or even their fund at the Community Foundation by leaving an amount of money as a charitable bequest when they die. But is there a way to not only leave a charitable bequest but ALSO create additional monies for a client's beneficiaries?

I would like to share an example of how a 55 year-old female donor can turn a \$10,000 bequest into a \$26,500+ Magnified Bequest...

But first, what is a bequest? According to Merriam-Webster, a bequest is the property or money that you promise in your will to give to another person or organization after you die. Now, going back to our 55 year old female donor who wishes to bequest \$10,000 to her favorite non-profit/charity or fund with the Community Foundation. She can certainly do this through her will (her estate plan). She can leave \$10,000 to the non-profit/charity or fund when she dies.

But is she missing out on a potentially better way to accomplish her objective? A Magnified Bequest just may be that better way.

If our 55 year old female donor were to transfer \$10,000 of her current funds to a Single Premium Whole Life Insurance policy, she could create an immediate life insurance benefit of just over \$26,500. She can name the non-profit/charity as the sole beneficiary of the life insurance so that when she dies, the non-profit/charity will then receive a "magnified" benefit - in this case, more than 2.5 times the \$10,000! She can also maintain ownership of the life insurance policy so that she has access to the cash value, if needed, or to change the beneficiary to another non-profit/charity or to another person, if desired. Note that there are no immediate income tax benefits for this arrangement as

there are no immediate income tax benefits with a bequest.

But let's say this donor is a bit hesitant to leave \$10,000 to her favorite non-profit/charity - she is worried that she will take away from her heirs' inheritance.

The Magnified Bequest can help solve that concern. She can split the life insurance beneficiary designation so that her favorite non-profit/charity will still receive the \$10,000 when she dies and her heir(s) will receive the balance - the \$16,500+. She has successfully leveraged her \$10,000 and created more value.

Establishing a Magnified Bequest is a win-win-win for the donor, for the non-profit/charity or fund with the Community Foundation, and for the donor's beneficiaries.

This is just one way to provide for charitable giving which does more than the basic bequest.

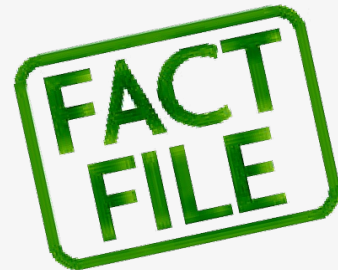
J. Sadler Hayes, of [J. Sadler Hayes Associates](#) in New City, NY, has been in the life and health insurance business since 1975 and helps nonprofit organizations and donors develop and implement strategies for legacy building through the effective and creative use of life insurance. A New City resident, Sadler and family also have a fund with the Community Foundation of Orange and Sullivan -- [The Keith B. Hayes Foundation](#), in memory of his youngest son.

sadlerhayes@gmail.com
(845) 639-0492

PHILANTHROPY FACTS

Did you Know?

- In the U.S. alone, about \$1.1 trillion will transfer to the next generation over a period of 20 years
- 83% of wealthy individuals plan to give as much (55%) or more (28%) in the next three years (through 2018) than they have in the past. Women, African Americans, and younger individuals (age 50 and younger) are even more likely to increase their giving in the next three years.
- 19% of women now handle the household's long-term retirement planning -- up from just 9% in 2011.



PHILANTHROPY IN THE NEWS

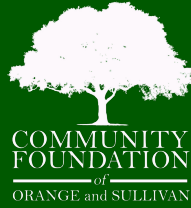


'Huge' Wealth Transfer in Sight: UBS, PwC Report
[\(ThinkAdvisor - click here to read\)](#)

2016 U.S. Trust Study of High Net Worth Philanthropy Reveals Positive Giving and Volunteering Forecasts for the Coming Years
[\(IU Lilly School of Philanthropy - click here to read\)](#)

Financial Planners Need to Cut Out the Mansplaining
[\(D magazine - click here to read\)](#)

Half of Adults under 30 Still Get Financial Help From Their Family; How to Cut the Cord



"Connecting People Who Care With Causes That Matter"

We are one of about 750 community foundations in the U.S. and 1,300 across the globe. Since our establishment in 1999 we have created 250 charitable funds, now representing more than \$21 million in philanthropic capital for our region. Through the generosity of donors and fund representatives we have awarded more than \$8 million in grants and scholarships to date.

Our President & CEO and our Director of Development are both always available to help advisors meet their clients' charitable giving needs.

Additionally, we can provide:

1. Personalized gift planning illustrations for your clients ranging from charitable remainder trusts, charitable lead trusts, wealth replacement options and insurance trust illustrations.
2. Confidential gift planning through anonymous charitable funds.
3. Legal review of fund documents by our own legal counsel

Elizabeth Rowley
President & CEO

elizabeth@cfosny.org

Michelle Hathaway
Director of Development

michelle@cfosny.org

Portable Tools for Professional Advisors

[Click Here for Tools & Resources](#)

 [Send to a Colleague](#)

STAY CONNECTED:





**Professional Advisors Council of the
Community Foundation of Orange and Sullivan**

(partial grouping above)

Richard J. Shapiro, Esq., Chairman

The **Professional Advisors Council** is comprised of attorneys, accountants, insurance professionals, and financial planners. The council hosts educational and networking seminars for Professional Advisors to network and earn CLE & CPE credits. The Council also assists in creating this e-newsletter quarterly. The Community Foundation of Orange and Sullivan also acknowledges our **Professional Advisors Society** which recognizes legal and financial advisors for their commitment to our community and for their efforts to advance and encourage charitable giving throughout the region.

Interested in joining or learning more? Please reach out.

michelle@cfosny.org 845.769.9393 cfosny.org