SIEBERT Serves
an initiative of
SIEBERT LUTHERAN FOUNDATION

CREATIVE WAYS OF GIVING

Gifts You Can Give Now

1. Use appreciated assets

One of the easiest and most tax-savvy ways of giving to the Siebert Lutheran Foundation is to give appreciated assets, such as stock. When you give appreciated assets, you avoid all capital gains tax and get a tax deduction for the full amount of the gift, as long as you have owned the stock for at least a year.

- **Stocks, bonds, mutual funds, business interests**

  Example: George bought ABC stock when it was only $100/share. With ABC stock now valued at $550, he can give the stock to the Siebert Lutheran Foundation, get an income tax deduction for the full $550/share market value, and avoid paying capital gains tax on the $450/share appreciation.

  Example: Sam is the owner of a successful family business partnership. He is a 50% partner with his two sons, and he would like eventually to transfer controlling ownership to them. He can give shares of the business to the Siebert Lutheran Foundation, get a tax deduction for its value, and then his sons can purchase the shares at some future date. By making gifts of shares every year, Sam can eventually transfer full ownership to his sons

- **Appreciated real estate**

  Example: Sue owns a beach condo on Lake Michigan that she purchased years ago for $100,000, which is now valued at $500,000. She used to visit regularly but now finds the condo has become a burden. She can give the condo to the Siebert Lutheran Foundation, get a tax deduction for the entire $500,000, avoid paying tax on the $400,000 capital gain, and relieve herself of the expense of maintaining the property.

2. Give a gift and receive an income back

- **Charitable Trusts**

a. **Charitable Remainder Trust (A Gift that Produces a Lifetime Income)**

Example: Anthony, age 70, owns the same appreciated ABC stock as George but he feels that he cannot give it outright because he needs to invest for retirement income. By putting $100,000 worth of stock into a charitable remainder trust, he avoids all the capital gains tax, gets a tax deduction in the year he sets up the trust, and has an income of at least $5,000 per year for the rest of his life with a good possibility of increased income as the trust grows in value.

b. **Charitable Lead Trust (A Gift that Provides Income to Charity for Period of Years and then Returns the Asset to the Donor's Family without any Tax)**

Example**:** Adam owns an office building that he built some years ago for 5M. Renting regularly to doctors' offices, Adam knows the building (now worth $15M) produces a steady income and is likely to appreciate still further in the future. Adam would like to give the building eventually to his two children. By placing the building in a charitable lead trust, Adam can make an annual gift to the Siebert Lutheran Foundation of $1,000,000 for a set period of years, while, at the same time he can transfer the building to his children with no gift or estate tax, no matter how much the building will be worth in the future.

c. **Bargain Sales (A Sale to a Charity for Less than Market Value)**

Example: Marilyn owns a piece of highly desirable real estate worth $100,000. She would like to make a gift but needs $40,000 to invest in another property. She can sell the property to the Siebert Lutheran Foundation for $40,000, get a tax deduction for the $60,000 difference, and move forward with her new purchase.

3. **Give Part or All of an IRA** (for those over 72)

Example: Jeff, who is 69, has a large IRA. He knows that when he turns 72, he must withdraw a required minimum distribution from that IRA and pay taxes on the amount he withdraws. But, since Jeff would like to make a gift to one of Siebert's grantees, he can pledge to roll over his RMD when he reaches 72. All Jeff has to do at that time is have his IRA manager send his required minimum distribution (RMD), or some part of that distribution up to $100,000 a year, directly to the grantee organization. Jeff then avoids the taxes on the amount he gives.

4. **Make a Gift from your Donor Advised Fund**

Many people over the past few years have established Donor Advised Funds (DAFs) with a community foundation or a national brokerage firm. A DAF allows them to take the income tax deduction when it is most advantageous to them and make the contributions to charity when they would like.

Example: Chris put $50,000 into a DAF at the Greater Milwaukee Foundation in 2018 to be able to take a charitable deduction that year. He would now like to contribute $10,000 to one of Siebert's grantees. He simply asks his DAF manager to send a check to the grantee organization from his DAF. Simple. Easy.

Gifts You Give Through Your Estate

For many donors, a gift at the end of their lifetimes is the best way of supporting the Siebert Lutheran Foundation. Here are some of the easiest and most tax-effective ways of providing a legacy.

1. **Gifts through a will**

   Making the Siebert Lutheran Foundation a beneficiary or a partial beneficiary of a will is easy and clear. A simple codicil, or addendum, is all a donor needs. The Siebert Lutheran Foundation can provide wording and instructions for making such a change. A donor can add to a will in several ways:

   a. Leave an outright gift of money
   b. Leave a percentage of an estate
   c. Make the Siebert Lutheran Foundation the residual beneficiary of an estate
   d. Leave a specific asset in an estate (a piece of real estate, interest in a business, stock account, a savings account, a bond fund, etc.).

   <u>Example:</u> As John would like to leave a legacy, he adds a codicil to his will providing that 10% of his estate, after the specific bequests he makes to family and friends, goes to the Siebert Lutheran Foundation. John knows that he has provided a long-term benefit to a cause important to him.

2. **Gifts through Contracts**

   a. **Life Insurance**: Changing beneficiary designations or ownership of a life insurance policy is easy and costs nothing. Often a donor can simply download a form from the insurance company's website, fill in the name of the charity as a beneficiary, and send it back.

      A donor can easily make the Siebert Lutheran Foundation a beneficiary of a life insurance policy (or one of the beneficiaries) or make the Siebert Lutheran Foundation the owner of a paid-up whole life policy (and receive a tax deduction for this gift).

      <u>Example:</u> Harold owns a paid-up insurance policy he bought when he was 25, with a death benefit of $50,000 and a current cash value of $45,000. He long since finished making premium payments on the policy, and no longer needs it. He can

give the policy to the Siebert Lutheran Foundation and receive a tax deduction for roughly the $45,000 cash value.

Example: Pete has a life insurance policy with a $100,000 death benefit. His children are the primary beneficiaries, and he wants them to benefit from the policy, but he also wants to leave a legacy. Thus, he designates the Siebert Lutheran Foundation as a 10% beneficiary of the policy, guaranteeing a $10,000 gift at his death.

b. **Retirement Plans** (an IRA or a 401(k) or 403(b)): Retirement plans are often one of the largest assets people have in their estate. If a donor leaves a portion of a qualified plan, like an IRA or a 401(k) to anyone other than a spouse, that person will be limited to a maximum of ten years to withdraw the money and will have to pay income tax on any money withdrawn. A nonprofit, however, pays no tax. Naming the Siebert Lutheran Foundation as a partial beneficiary of a retirement plan is easy, often involving no more than changing a beneficiary on-line.

Example: Mary, who would like to make a gift through his estate, has an IRA worth $1,000,000. As she is married, she knows she can roll over her plan to her spouse with no tax consequences. But she would also like Columbus Academy to benefit from her largest asset; thus she makes CA a 10% beneficiary of her IRA.

Example: Malcolm has a $500,000 403(b) that he has accumulated over the years. He would like to make sure his children can have the income from what is left in the plan after his death, but he wants to be able to spread out their income over more than ten years, which is the maximum number of years to roll over an inherited IRA to someone other than a spouse under the new SECURE Act of 2020. Designating a 20-year charitable trust the beneficiary of the plan and his children the income beneficiaries of the trust, he can avoid the upfront income tax, provide an income to his children for twenty years, and make a long-term substantial gift to the Siebert Lutheran Foundation.