



"Giving" Advice



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ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors transform their philanthropic impulse to measurable

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Ingenious Ways to Keep Giving

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The economy is still miserable. No surprise that charities are hurting too. When times were good, people gave because they felt rich or their accountant said they needed the tax write-offs. But today, you need to show clients that with a little ingenuity, they can still give generously. Here are some suggestions to get charitable contributions flowing again.

Defer, don't cancel

If your clients are reluctant to give, recommend they use a "deferred" or "planned" gift. For example, assume a client previously gave \$10,000 per year to a charity, but is uncomfortable doing so now. Suggest donating \$2,500 per year for four years, and if the client feels more secure in six months, then he or she can accelerate the payments. This keeps the donor in control.

Give stuff

Clients can donate art or other objects. This can cut insurance costs, generate a tax deduction and maintain support of a charity even while the donor is feeling a financial pinch. The rules get tricky, so clients must work with their accountants. Contributions over \$5,000 generally require both a contemporaneous written acknowledgement and a qualified appraisal.

And if the property isn't used for the charity's exempt purpose, the deduction is limited to the donor's tax basis. For example, art donated to a school that has no art collection but sells the art to use the proceeds, is

community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

not being used for the exempt purpose.

Don't lose bequests

Assume a client's estate has declined in value, and she's rewriting her will to ensure her children are adequately protected. Say her estate was worth \$5 million, and had been divided between her four children and a favorite charity. Now, her estate is worth \$3 million and she wants to leave it all to her children. Instead of cutting the charity out, suggest the lawyer draft in some flexibility.

She could distribute the first \$4 million (or less) equally to her children and the next \$1 million to charity. Anything left could be distributed equally among her children and the charity. If values recover, her original goals will be met. If not, her children will be protected.

Suggest CGAs

Say your client wants to donate \$10,000, but is feeling the pinch. Charitable gift annuities (CGAs) allow clients to make a donation to a cause and receive regular lifetime payments. CGAs have received some negative publicity lately, but many of those problems involved a few charities that went bankrupt or had other difficulties. Help your clients do their due diligence.

Use the back door

A common technique for wealthy clients is to structure a substantial sale to an intentionally defective irrevocable grantor trust (IDIT or IDIGT). But there's often a concern about possible valuation challenges in the event of an audit. If the value is off, there's no IRS audit protection. But if there's a defined value clause, the donor could argue that he or she should be protected from gift tax, even if the IRS successfully challenges the appraisal or discounts.

The defined value clause works like this: The difference between the intended gift (the defined value) and the gift as valued by the IRS in an audit, passes to charity. Say a client sells 100 shares of stock in the family business to a family trust for its appraised value of \$1 million. If, on audit, the IRS proves the 100 shares were worth \$2 million, the 50 shares valued at the intended \$1 million go to the family trust and the other 50 shares valued at \$1 million go to charity. No additional gift tax is due, since the excess goes to charity.

Insure the donation

If a client planned a big future gift, but is now concerned that the reduction in his estate will undermine personal bequests, life insurance may play a role. Have the charity buy a permanent life insurance policy on your client's life and the client can fund the charitable gift outside his will, preserving estate assets for non-charitable heirs. But, whichever

strategy you choose, the key is to help investors meet their charitable intentions.

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