



EFFECTIVE PHILANTHROPY

Considering a charitable gift?

Four strategies that may work for you and your family

An outright gift to a public charity is simple, gratifying and effective. However, there are several other giving strategies that may offer advantages over an outright gift to a public charity. Whether you have only begun to consider incorporating philanthropy into your wealth plan, or already have well-defined goals and aspirations, you may want to consider the following strategies to help you effectively achieve your charitable goals.

1) Donor-advised fund

Donor-advised funds (DAFs) are accounts that are set up within charitable organizations, such as community foundations, or are set up as charitable gift trusts managed by financial institutions. Key characteristics of DAFs include:

- Contributions are set aside in a separate account at the managing charity
- The donor may make nonbinding recommendations as to the recipients of grants from the DAF and may indicate an investment objective
- Generally, a broad range of assets may be donated to a DAF
- All accounting, administration and filings are conducted by the managing charity
- The donor of a DAF can decide whether to remain anonymous or to be associated with gifts from the DAF

2) Private foundation

A private foundation (sometimes called a “family foundation”) is a charitable organization that exists primarily to make grants to publicly supported charities, nonprofit organizations, qualified individuals and government bodies. Private foundations may be established in perpetuity for charitable purposes and may be organized in trust or corporate form. Key characteristics of private foundations include:

- The donor has total control and autonomy in managing the assets and directing the foundation’s grant-making program
- The donor may pass control to family members or others
- Due to the associated costs, a minimum of several million dollars is usually recommended when considering a private foundation
- A private foundation can be a great option for a philanthropist who seeks control of the governing body, investments and grants

3) Charitable remainder trust

A charitable remainder trust (CRT) is an irrevocable trust that makes payments (at least annually) to you or other noncharitable beneficiaries for a term of years (not more than 20) or for life (or lives). At the end of the trust term, the CRT pays the remaining value of the trust to charity. Key characteristics of this strategy include:

- A CRT may be created as either a charitable remainder annuity trust (CRAT) or a charitable remainder unitrust (CRUT)
 - A CRAT pays an annuity amount determined as a percentage of the initial value of the trust assets
 - A CRUT pays a fixed percentage of the trust assets revalued on an annual basis
- A CRT is a tax-exempt entity, which allows the trust to sell appreciated assets without paying any capital gains taxes; distributions from the trust to the beneficiary are generally taxed to that beneficiary (often the donor)
- If the annual payments from the CRT are payable to someone other than the donor, the value of those annual payments may be subject to gift or estate tax

4) Charitable lead trust

A charitable lead trust (CLT) is an irrevocable trust that makes payments (at least annually) to charity for a term of years or for the lifetime of one or more individuals. At the end of the trust term, the CLT pays the remaining value of the trust back to the grantor or to another designated individual. Key characteristics of this strategy include:

- A CLT may be created as either a charitable lead annuity trust (CLAT) or a charitable lead unitrust (CLUT)
 - A CLAT pays an annuity amount determined as a percentage of the initial value of the trust assets
 - A CLUT pays a fixed percentage of the trust assets revalued on an annual basis
- If the CLT is created during life, the grantor may receive a gift tax deduction for the value of the charitable interest
- If the trust is created at death, the value of the charitable interest may offset estate taxes

There are many variations to the strategies outlined above, as well as additional charitable planning opportunities. To better understand the advantages and limitations of each, it can be helpful to work with a qualified professional when implementing a charitable giving strategy into your overall wealth management plan. **For more information on charitable gift planning strategies, visit our [Effective Philanthropy](#) resource page.**