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P&G Alumni Foundation Presentation

Satisfying Your Philanthropic Objectives: Strategies to Maximize Personal Giving

October 3, 2017

Achieve more.

Benefits of Charitable Giving



❖ Main reason to help society

❖ Income Tax Benefits



❖ Estate Tax Benefits



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Limitations on Charitable Giving



- ❖ Possible tax law changes minimize charitable deductions

- ❖ No income tax deduction on gifts at death (but estate tax deduction)



Charitable deductions are limited to 20%, 30%, or 50% of income depending on the gift and recipient



- ❖ Annual deduction limits based on type of asset donated, type of charity, and adjusted gross income of donor



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Specific Income Tax Limits on Ability to Fully Deduct Gifts in any Given Year



- ❖ Cash gifts to charity limited to 50% of income (30% for private foundation) with a 5-year carry forward

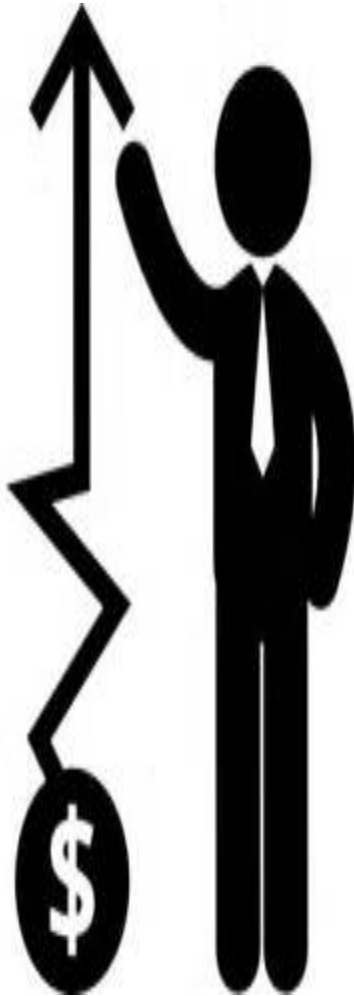
- ❖ Limited to 30% for appreciated property (20% for private foundation) with a 5-year carry forward



- ❖ Deduction for appreciated property other than marketable securities to a private foundation limited to basis



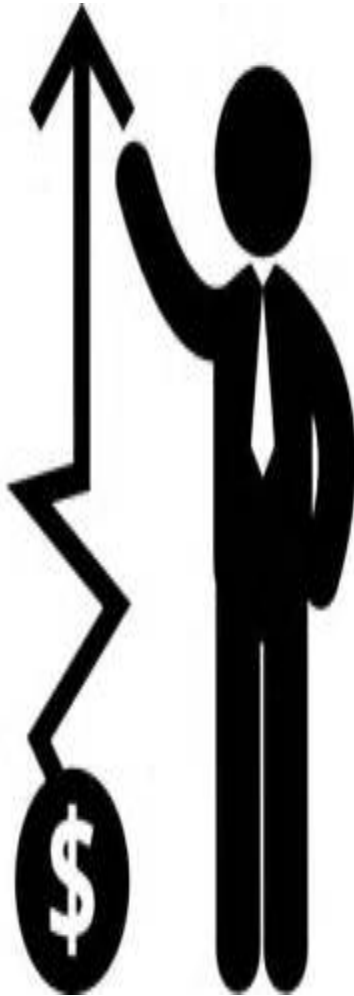
Three Tax Effective Ways to Give:



- ❖ **Donor Advised Funds (DAFs);**
Frontload charitable giving into a DAF to take full advantage of adjusted gross income
- ❖ **Gift appreciated property** to avoid gain on sale while obtaining a full fair market value deduction for gift
- ❖ **Mix cash and appreciated property** to maximize annual deduction



Tax Efficient Ways to Give



- ❖ *Frontload charitable giving into Donor Advised Fund to full advantage of adjusted gross income*
- ❖ Gift appreciated property to avoid gain on sale & obtain full fair market value deduction for gift
- ❖ Mix cash and appreciated property to maximize annual deduction



DONOR ADVISED FUNDS (DAFs)

- ❖ A Donor Advised Fund is a pool of charitable contributions from multiple donors administered by a third party
- ❖ Contributions can be kept in separate accounts under name of donor (aka the “John and Mary Doe Fund”)
- ❖ Contributions are fully deductible as if gifted to a public charity, and future earnings in the DAF are not taxable
- ❖ The donor can advise the DAF as to specific charitable recipients for the funds, but cannot give binding direction
 - ❖ Giving to specific charities is done by recommendation only
- ❖ Contributions can be cash or other appreciated securities



HOW A DAF WORKS

Donor Advised Fund (examples):



Donors establish DAF & gift property

Donors receive immediate income tax deduction and avoid gain on sale of property (if any)



Donors "direct" distributions to public charities of their choosing.

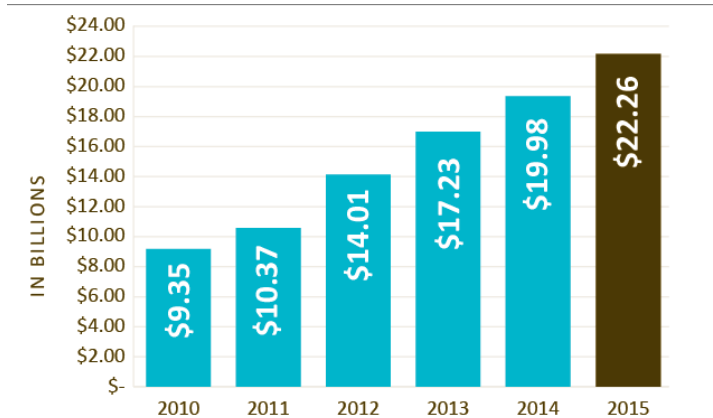
Remaining balance may be invested for future growth (market risk is not eliminated).



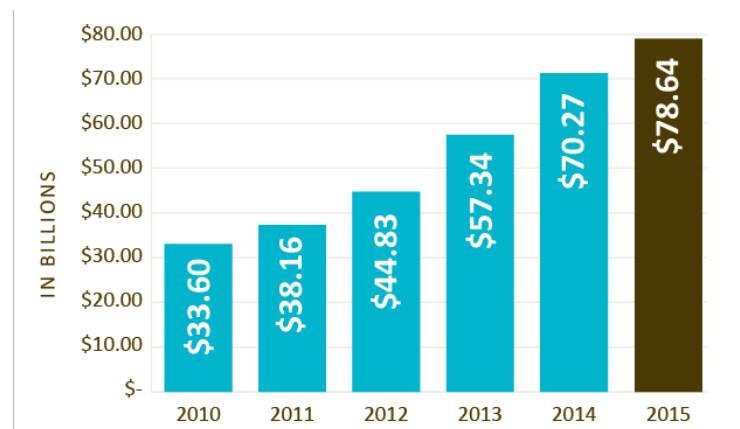
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DAFs HAVE GROWN IN POPULARITY*

Total Value of Contributions to
DAF Accounts



Total Charitable Assets in DAF
Accounts



*Data from the National Philanthropic Trust through 2015



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DAFs MINIMUMS AND FEES

Example of minimums & fee structure from a leading DAF Administrator

Account Minimums

	Core Account
Account minimum	\$5,000
Minimum additional contribution	\$500
Minimum grant	\$50

Administrative Fees

Avg. Daily Value	Annualized Admin Fees
First \$500,000	0.60% of assets or \$100 [†]
Next \$500,000	0.30% of assets
Next \$1,500,000	0.20% of assets
Next \$2,500,000	0.15% of assets
Next \$5,000,000	0.13% of assets
Next \$5,000,000	0.12% of assets
\$15,000,000+	0.10% of assets

[†] The minimum individual account administrative fee will be the greater of \$100 or 0.60%.



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Profile of Donor: John & Sharla

- Married couple living in New York
- Planning to retire this year as executive at company
- Planning to exercise remaining stock options and receive deferred compensation payout so large income tax year
- Likely will be only have small portfolio income going forward
- Annually gives \$40,000 each year to various charities and plans to continue giving after retirement



Charitable Gifting Options



OPTION A: Annual Gift of \$40,000 Cash to Charities for 10 years

- \$400,000 gifted to charity
- Tax reduction of \$84,000 so after tax cost of \$316,000 or 79%
- Deduction reduced due to AGI limits



OPTION B: Upfront Gift of \$400,000 to DAF and distribution of \$40,000 to charity for 10 years

- \$400,000 gifted to charity
- Tax reduction of \$192,000 so after tax cost of \$208,000 or 52%
- Full use of charitable deduction



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Option A: Tax Benefit of Annual Gift

Year	Adjusted Gross Income	Total Available Deduction	Charitable Gift	Current Deduction Utilized	Deductions Carried Forward	Deductions Lost	Ordinary Income tax Benefit (48%)
1	\$800,000	\$400,000	\$40,000	\$40,000	\$0	\$0	\$19,200
2	\$30,000	\$15,000	\$40,000	\$15,000	\$25,000	\$0	\$7,200
3	\$30,000	\$15,000	\$40,000	\$15,000	\$50,000	\$0	\$7,200
4	\$30,000	\$15,000	\$40,000	\$15,000	\$75,000	\$0	\$7,200
5	\$30,000	\$15,000	\$40,000	\$15,000	\$100,000	\$0	\$7,200
6	\$30,000	\$15,000	\$40,000	\$15,000	\$125,000	\$0	\$7,200
7	\$30,000	\$15,000	\$40,000	\$15,000	\$150,000	\$0	\$7,200
8	\$30,000	\$15,000	\$40,000	\$15,000	\$150,000	\$25,000	\$7,200
9	\$30,000	\$15,000	\$40,000	\$15,000	\$150,000	\$25,000	\$7,200
10	\$30,000	\$15,000	\$40,000	\$15,000	\$150,000	\$25,000	\$7,200
TOTAL			\$400,000				\$84,000



Option B: Tax Benefit of Front loaded Gift

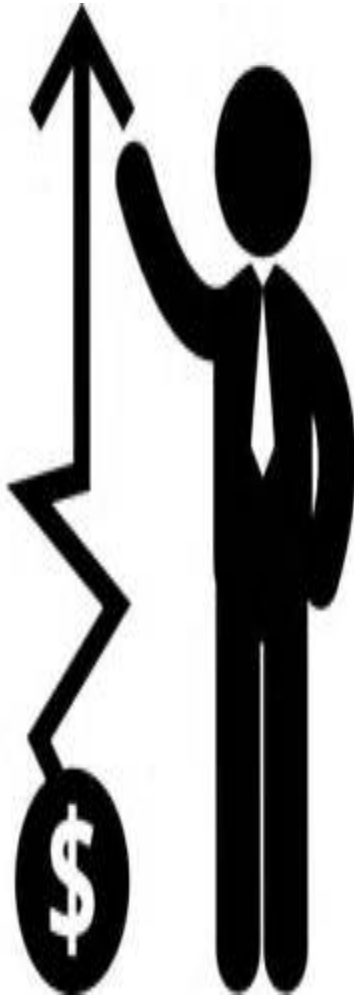
Year	Adjusted Gross Income	Total Available Deduction	Charitable Gift	Current Deduction Utilized	Deductions Carried Forward	Deductions Lost	Ordinary Income tax Benefit (48%)
1	\$800,000	\$400,000	\$400,000	\$400,000	\$0	\$0	\$192,000
2	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
3	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
4	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
5	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
6	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
7	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
8	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
9	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
10	\$30,000	\$15,000	\$0	\$0	\$0	\$0	\$0
TOTAL			\$400,000				\$192,000

Tax Savings of \$108,000!



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Tax Effective Ways to Give



- ❖ Frontload charitable giving into Donor Advised Fund to full advantage of adjusted gross income
- ❖ Gift appreciated property to avoid gain on sale & obtain full fair market value deduction for gift
- ❖ Mix cash and appreciated property to maximize annual deduction



Benefits of Non-Cash Transfers



- ❖ Donate appreciated property directly to charity

- ❖ Avoid capital gain on sale of appreciated property



- ❖ Get charitable deduction to offset income equal to full fair market value



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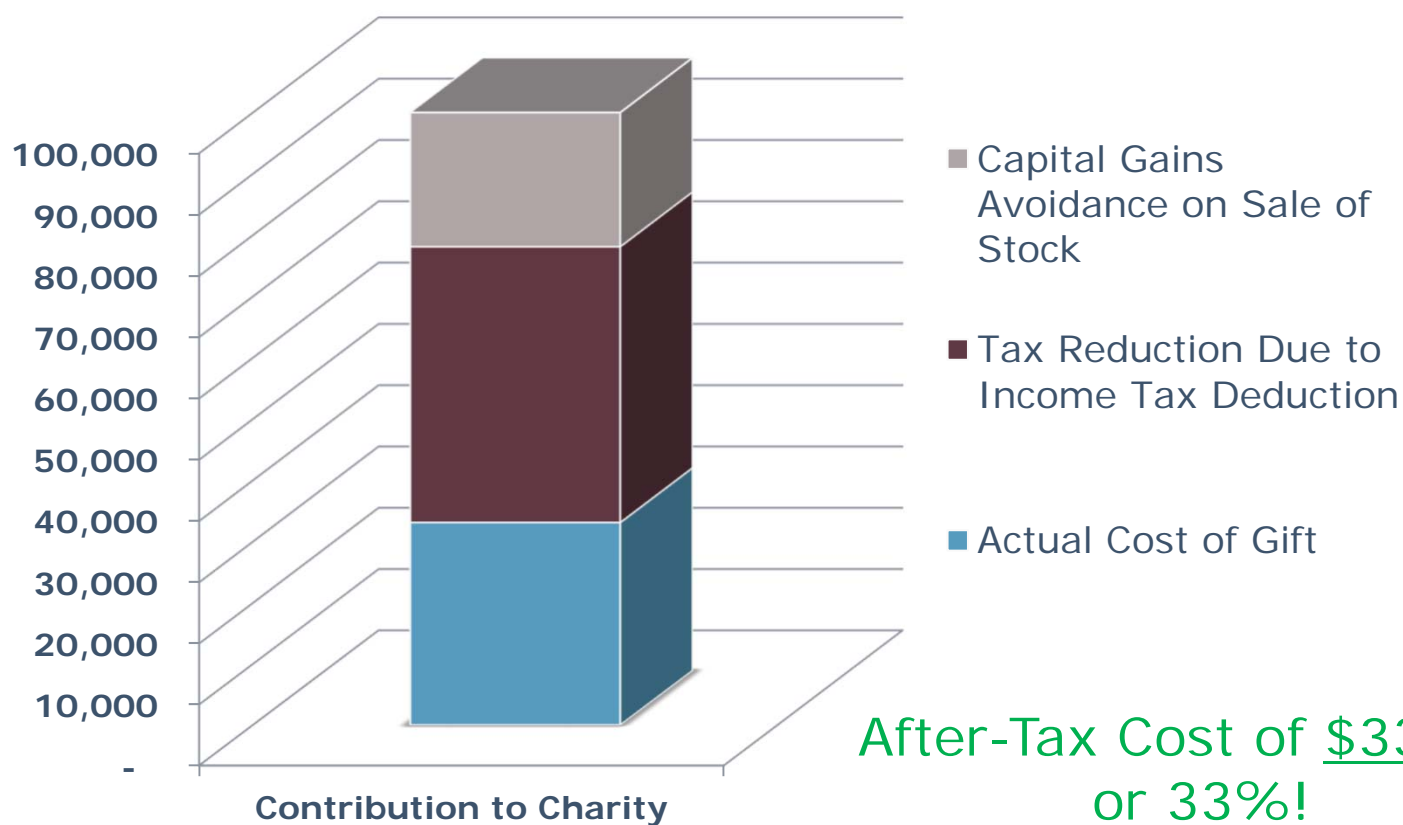
Profile of Donor: Christine

- Business executive living in Minnesota
- Long term investor with several highly appreciated stock positions
- Looking to sell some appreciated stock positions
- Desire to transfer \$100,000 to her local charitable foundation
- High earner with over \$400,000 of annual ordinary income



Actual Cost of Contribution of \$100,000 of \$12,500 basis stock

Breakdown of Tax Benefits

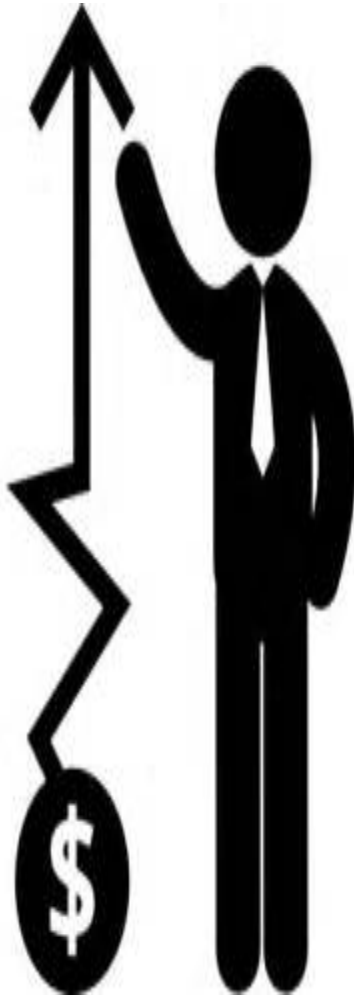


** Assuming full contribution deductible against ordinary income



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Tax Effective Ways to Give



- ❖ Frontload charitable giving into Donor Advised Fund to full advantage of adjusted gross income
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Profile of Donor: Pat & Michelle

- Married couple living in California
- Desire to minimize state and federal income taxes
- Planning to retire in 2-3 years and live off portfolio income
- Strong charitable desire to benefit alma mater and local children's hospital



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Maximize Annual Charitable Tax Opportunities

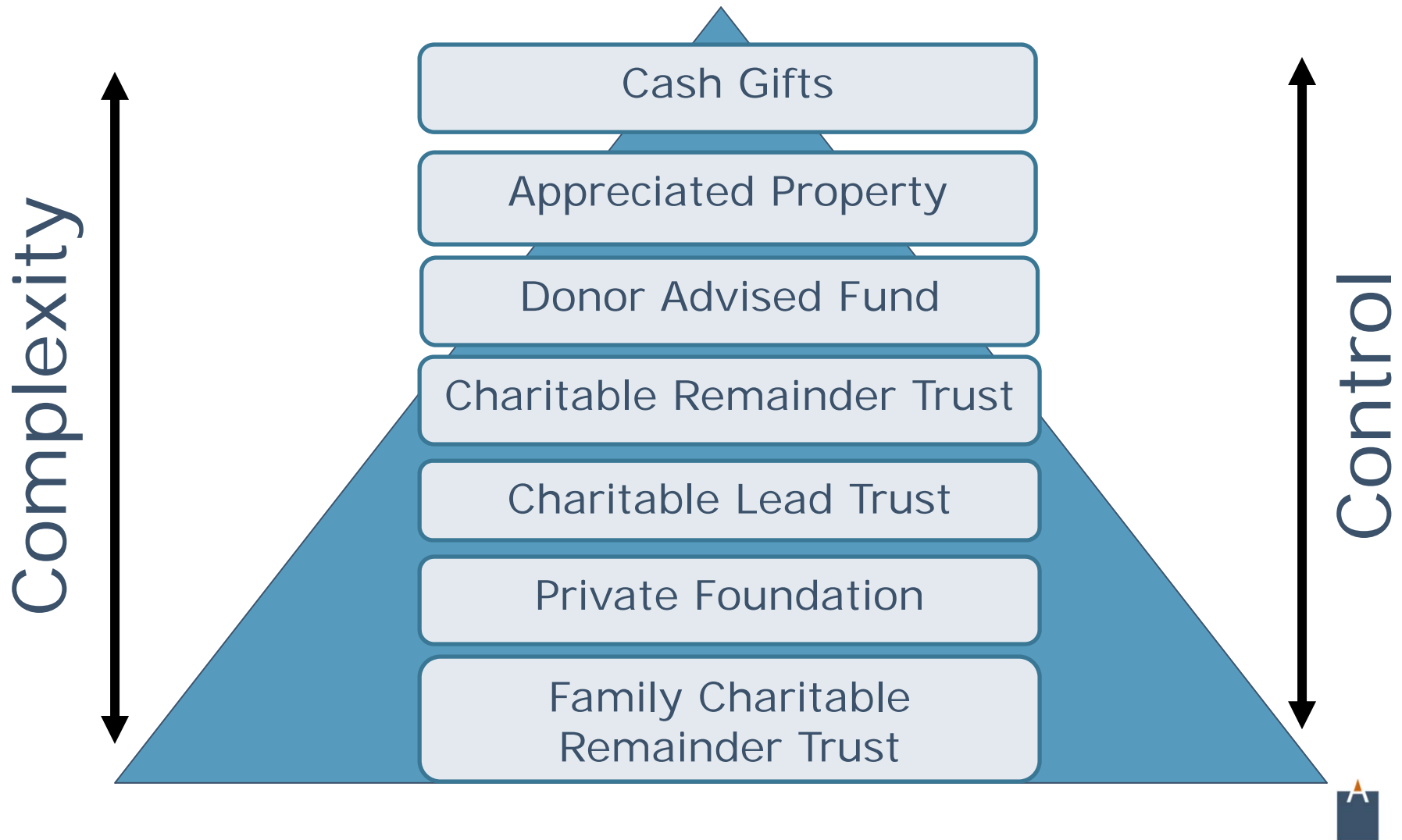
Year	AGI	Total Available Deduction / Gift Amount	Appreciated Property Gifted	Cash Gift	Ordinary Income tax Benefit (48%)	Capital Gain Avoidance (\$33% basis 28% tax)	Total Tax Benefit of Gift	Total After Tax Cost
1	\$250,000	\$125,000	\$75,000	\$50,000	\$60,000	\$14,000	\$74,000	\$51,000
2	\$300,000	\$150,000	\$90,000	\$60,000	\$72,000	\$16,800	\$88,800	\$61,200
3	\$100,000	\$50,000	\$30,000	\$20,000	\$24,000	\$5,600	\$29,600	\$20,400
4	\$50,000	\$25,000	\$15,000	\$10,000	\$12,000	\$2,800	\$14,800	\$10,200
Total		\$350,000					\$207,200	\$142,800

Annual Deduction of 60%!



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Different Charitable Techniques





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Thank You!

If you would like a copy of this presentation
or have specific questions, please email us at:
pgalums@aspiriant.com

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