PLAN AHEAD

Giving Back

3 Ways to Maximize your Charitable Gifting This Year

If you are one of those special individuals, or families, who believe in giving back to your community and to special causes, you know how important those gifts are to the deserving recipients of the charity. Not only do you play a meaningful role in their lives, but thanks to Uncle Sam, you might also have an opportunity to benefit your family in a different way — by way of an income tax reduction.

There are a number of ways to give, and regardless of your approach, the positive impact on the charity is the same. So why not help others **and** help yourself at the same time? If you are experiencing a high income year, one of the options below might help you to capture a large charitable deduction!

Outright gifts from your estate

A great way to reduce your taxable estate is to consider gifting outright to your favorite charities. Not only do these gifts reduce your taxable income for the year, but they can also be used to offset any gift taxes owed.

One often overlooked asset for gifting is **appreciated stock**. Gifting appreciated stock (held for over one year) to charities allows the full current market value of the stock to be donated to the charity. Neither you nor the charity pay capital gains taxes on any appreciation the stock may have experienced. You will receive a tax deduction equal to the full market value of the stock up to a maximum (across all charitable donations) of:

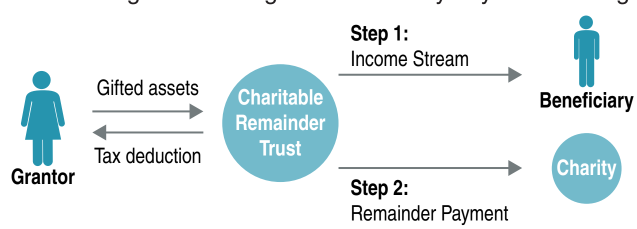
- 50% of adjusted gross income for gifts to most public charities.
- 30% of adjusted gross income for gifts to most private charities.

Charitable trusts

Charitable trusts are “split-interest trusts,” which generally allow you (or your beneficiary) to retain certain benefits from those assets you choose to gift to charity. Charitable trusts generally come in two forms; the **charitable remainder trust** and the **charitable lead trust**.

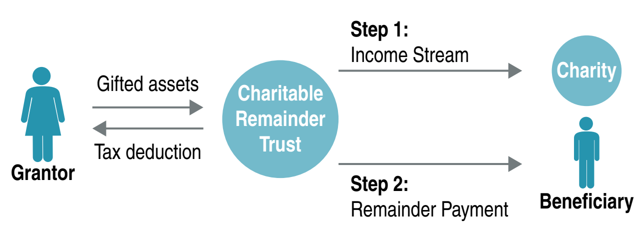
How exactly does a charitable remainder trust work?

- You, the grantor, transfer appreciated stock (or other assets) into the trust.
- The beneficiary of your choosing will receive a variable or fixed income stream, depending on your preference, annually, for a specific period of time.
- At the end of the trust’s term (20 years or less), all remaining assets are gifted to a charity of your choosing.



How exactly does a charitable lead trust work?

- You, the grantor, transfer appreciated stock (or other assets) into the trust.
- The trust will pay a fixed amount of the value of the trust to the charity of your choosing. You will pay any tax on the income produced by the assets in the trust.
- At the end of the predetermined term, the assets in the trust will pass back to you.



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Similar, but different

- Forming a **charitable remainder trust** will allow you to receive a charitable deduction for the amount you gift into the trust, less the expected income stream to you or your designated beneficiary.
- Forming a **charitable lead trust** will allow you to receive a charitable deduction equal to the total estimated annual payouts made to the charitable beneficiary.

Donor-advised funds

A donor-advised fund can be thought of much like a charitable family foundation, but without the costly start up fees and administrative expenses. A donor-advised fund allows the donor to receive an immediate tax benefit for their contributions, and then allows the donor to recommend grants to charities over time.

How exactly does a donor-advised fund work?

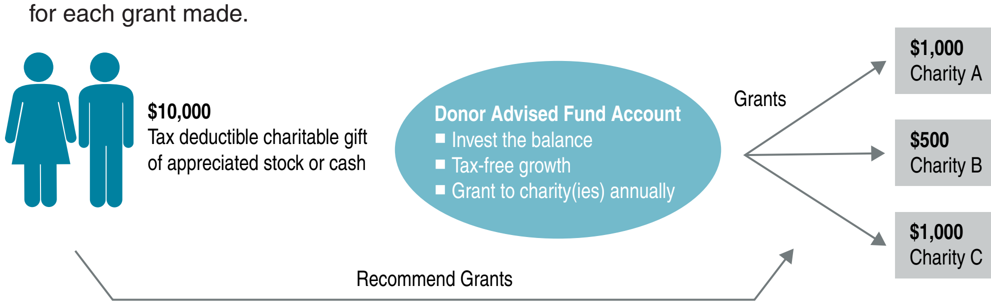
- You donate either cash or appreciated stock to the donor-advised fund and receive the allowable charitable tax deduction.
- You, with the support of your advisor, control the investments in the donor-advised fund.
- Your investments in the donor-advised fund grow tax free.
- You control your donor-advised fund account during your lifetime, with named successors to carry on your legacy.
- You recommend which charities and how much to provide for each grant made.

Charitable gifting common tax characteristics

While there are many different charitable gifting strategies available to you, they all share a few common tax characteristics:

- Gifted assets, like stock, are irrevocably removed from the estate, resulting in a reduction in estate taxes (if applicable). Additionally, any future growth of the gifted asset is also excluded from the estate tax calculation.
- Gifting appreciated stock allows the full value to go to the charity of your choice. Neither you, your charitable trust, your donor-advised fund, nor the charity, will have to pay capital gains on the appreciated stock.

These are just some examples of the flexibility and potential tax benefits associated with charitable giving. Your Mesirow wealth advisor can discuss these options with you to help determine which approach might work best for you, and will work with your other professional advisors to make your charitable dreams a reality.



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