

# GIVING WISELY

A look at current giving trends and charitable strategies to help maximize your impact.



As the economy improves and confidence grows, charitable giving is making a comeback. Now could be a good time for you to evaluate your own giving and consider new ways to support the causes you care about.



You have myriad charitable vehicles and methods to choose from. Some are simple and straightforward, like outright gifting, while others are more complex but also potentially more impactful, like charitable remainder trusts, charitable lead trusts, donor advised funds and private foundations.



It's important to remember your near- and long-term lifestyle expectations when planning for your charitable goals. Work with your financial advisor to develop a strategy to help ensure you can live comfortably while giving wisely.

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## INTRODUCTION

Charitable giving is a tradition nearly as old as time. Ancient Egyptians built free clinics for the sick. Kings in Sri Lanka and India funded early hospitals. Ancient Greeks gave funds to subsidize the construction of public buildings, and they also gave us a name for all this do-gooding: philanthropy, derived from *philanthrôpía*, or “love of humanity.”

Philanthropy has played a role in every major civilization. And as civilization has evolved, so has giving.

Today, after a period of decline following the economic downturn, charitable giving is back on the rise in the United States – 70% of charities expect an increase in donations in 2013\* – and giving methods run a gamut from the timelessly simple to the highly sophisticated, from writing a check to creating a charitable trust. This proliferation of vehicles and strategies offers something very important to givers like you: choice.

Whether your goal is to make a big impact or a modest gift, and whether you're planning for the end of the year or for an enduring legacy, you have many options. And choosing wisely among them can be the key to making the biggest impact while also minimizing present and future tax exposure.

But before we dive into the ways you can give, let's take a moment to explore the whos, whys and hows of current giving.

\*The Chronicle of Philanthropy, April 2013

## THE WHOS, WHATS AND HOWS OF GIVING

### WHO'S GIVING?

You are. In 2013, individuals accounted for more than 72% of giving in the United States – a total of \$335.17 billion. And it's estimated that 85% of U.S. households give to charity each year.

While there are nuances based on geography and demographics, Americans are an overwhelmingly generous bunch, with 95% reporting that they gave to those in need.

## THE MOST GENEROUS AMONG US

### BY PLACE

% of discretionary income donated

<b>10.6%</b>	Utah
<b>7.7%</b>	District of Columbia
<b>7.2%</b>	Mississippi
<b>6.6%</b>	Tennessee

Study: "How America Gives," The Chronicle of Philanthropy

### BY AGE

% of age group who donate

<b>88%</b>	Mature
<b>72%</b>	Baby Boomers
<b>60%</b>	Generation Y
<b>59%</b>	Generation X

Study: "The Next Generation of Giving," Blackbaud

### BY CAUSE

% of total giving by category

<b>31%</b>	Religious
<b>16%</b>	Education
<b>12%</b>	Human Services
<b>11%</b>	Foundations

Source: Giving USA 2014

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## WHAT'S MOTIVATING THEM?

Making a difference. The reasons people give today are much the same as they've always been. According to a study conducted by Indiana University's Center on Philanthropy, 62% of high-net-worth donors cited giving back to the community as their chief motivation. There are more practical factors at work as well, like setting an example for younger generations, establishing a charitable legacy and maximizing tax benefits, but altruistic motives are cited as the most important.

Confidence is also a key motivator. After peaking in 2007, charitable giving dropped off during the economic downturn. Now that many people are feeling more secure about the markets and their own finances, giving is on the upswing.

## HOW ARE THEY GIVING?

In all the traditional ways and some notable new ones. Outright gifts still account for the largest percentage of financial donations, but more complex vehicles, like charitable trusts, are gaining ground. Technology is also changing the landscape of giving – from text message donations to crowdfunding, online charity made up 7% of total giving in 2012.\*

And, of course, there's nonfinancial support. Volunteerism is still alive and well in the United States. In 2011, more than 64 million Americans reported doing 8 billion hours of volunteer work, the highest number in five years.\*\*



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## THE REASONS FOR GIVING



### Top Philosophical Motivators

- Desire to be philanthropic
- Desire to create a legacy
- Sense of moral duty



### Top Financial Motivators

- Tax minimization
- Asset management
- Estate planning

Source: Giving USA 2013

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\*Giving USA 2013

\*\*volunteeringinamerica.gov

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## THE WAYS OF GIVING WISELY

Now that you're more familiar with what's driving current giving trends, it's time to consider what motivates your own desire to give – and to explore the methods that make the most sense for you based on those goals. While some of your options are straightforward – like outright giving – others are more sophisticated and will require some investigating and discussions with your financial advisor.

### OUTRIGHT GIFTS

Often called direct or “checkbook” giving, outright gifts remain the simplest and easiest way to give. You choose what groups to contribute to and how much, and depending on the charity you may even be able to specify where and in what ways your gift should be used. And, of course, you can deduct gifts and reap tax benefits.

However, once you reach a certain level of giving – if you're contributing to a substantial number of organizations or in increasing amounts – direct donations can become cumbersome and time-consuming.

While outright gifts can be your best bet when it comes to one-time contributions or spontaneous donations, as your giving becomes more sophisticated, your methods should keep up.

#### BEST FOR ...

*Givers who give to a limited number of charities in relatively smaller amounts.*

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## GIFTS OF LIFE INSURANCE

While it is several steps up in complexity from the plainness of outright giving, gifting a life insurance policy is a more straightforward process than many other charitable giving instruments and allows for a large benefit at a relatively low cost. Here are several ways to do it.

### Existing contract

If you already own a life insurance policy, you can transfer ownership to a loved one or charitable organization. You will pay a gift tax on a percentage of the policy's value at the time of transfer, but when it's ultimately distributed, the recipient won't have to worry about the payout being taxed as part of your estate.

### Wealth replacement

This method is designed to help ensure that your heirs are protected – and that there's potentially more tax protection on the funds they receive – while still realizing your own goal of making a sizable charitable impact. You start by designating your organization of choice as the beneficiary of your qualified and non-qualified retirement plan, and then you “replace” those assets in your estate by purchasing a life insurance policy to benefit your heirs. For qualified plans, you have the option to use your distribution to purchase life insurance in an irrevocable life insurance trust (ILIT).

### Maximum gift

If your goal is to make the biggest impact possible with an existing asset such as property, you can use insurance to help make it happen. Employing this gift-maximizing strategy, you'll give the property to your organization of choice and then use the tax savings to fund a life insurance policy with that same organization as beneficiary.

#### BEST FOR ...

*Givers who have an insurance policy no longer needed for its original purpose, or who are looking to maximize a charitable gift by minimizing exposure to estate taxes.*

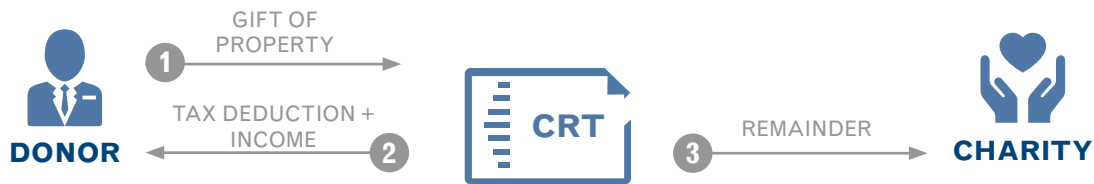
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## CHARITABLE REMAINDER TRUSTS

Charitable remainder trusts (CRTs) – the most popular type of charitable trust – are usually a donor’s first step into more substantial giving – a good option for when you’re ready to “take off the training wheels” and get more seriously philanthropic. A CRT can also offer a key benefit beyond tax deductions: cash flow.

Here are the basics: You donate an asset to a charitable trust. The asset is sold while in the trust and the proceeds are reinvested in an income-producing portfolio. Then, you – and any other non-charity beneficiary you name – receive income based on the type of CRT.

If you use a charitable remainder unitrust (CRUT), you and any other beneficiaries will receive a fixed percentage of the value of the asset you donated each year. If you use a charitable remainder annuity trust (CRAT), you’ll receive a fixed dollar amount. In either case, you also will receive an immediate tax deduction, and upon your death, your designated charitable organization will receive the remainder of the assets in the trust.



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### BEST FOR ...

*Givers who would like to create an income stream for themselves or loved ones while also establishing a charitable legacy.*

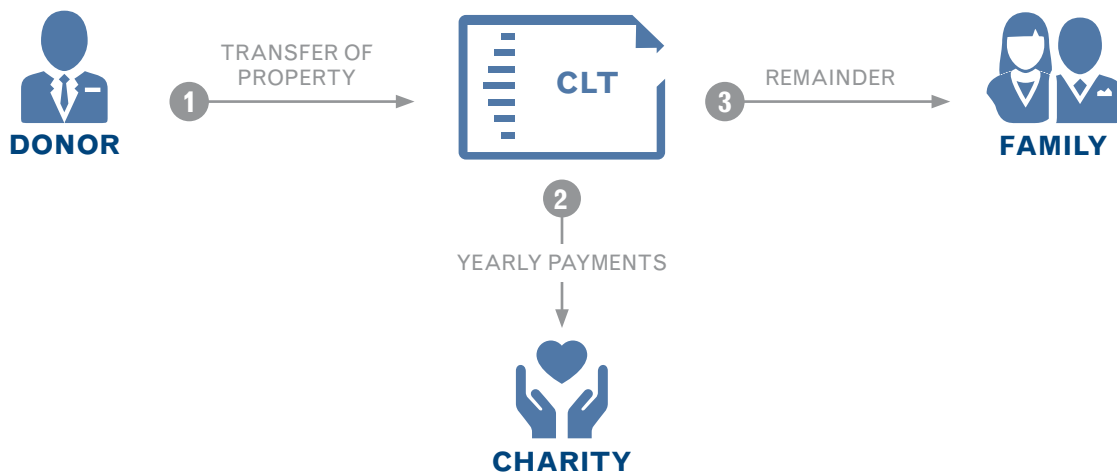
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## CHARITABLE LEAD TRUSTS

Essentially a charitable remainder trust in reverse, a charitable lead trust (CLT) “leads” with the gift as opposed to leaving it.

Set up much the same way as a CRT, a CLT involves gifting an asset that is then sold and the proceeds reinvested. However, in this case, the income generated goes to the charity of your choice for a specified number of years and then the remaining principal passes back to you or to your non-charity beneficiaries.

From a tax planning perspective, a CLT is an excellent option if you own assets that you expect will substantially appreciate in value. Created properly, the trust can allow you to keep an asset in your family while contributing to a cause you care about and enjoying some tax benefits.



**BEST FOR ...**

*Givers who have an asset that likely will appreciate greatly in value and want to hang onto it while putting it to good use in the meantime.*



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## PRIVATE FOUNDATIONS

This is where things get more formal in the world of giving. By establishing a foundation, you are setting up an institution – a legal entity that treats your individual philanthropic goals as its primary mission.

It's not for the casual charitable giver. Creating a foundation is an involved process, requiring a significant investment of time and resources – conventional wisdom says \$500,000 is a practical minimum for a simple permanently endowed foundation – and the counsel of legal advisors just to get started. And once it's established, your foundation will be required to distribute 5% of its net asset value annually, regardless of how much the assets earn, and you'll pay excise taxes on 1% to 2% of the foundation's net investment income. You'll also need to keep records and report on your foundation's grant-making and other activities.

So why do it? Because you're serious about making a significant and lasting impact for a cause you care about – and you want to have total control over how your giving goals are achieved. As the head of a foundation, you not only decide who gets your grants and how much to give, you'll also appoint trustees and outline a vision for the foundation's future.



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### BEST FOR ...

*Serious givers who are typically donating a substantial percentage of their annual incomes or who have a specific philanthropic mission.*

## DONOR ADVISED FUNDS

If you're looking for the benefits offered by a private foundation without the work and time commitment, a donor advised fund could be your answer. Touted as the "new face of giving,"\* DAFs are the fastest-growing charitable giving vehicle in the United States – the number of accounts has increased by 34% since 2009.

DAFs combine the ease of direct giving with the flexibility of establishing a private foundation. Because the funds are sponsored by a charitable organization, donors can avoid the cost and upkeep associated with creating a foundation while still maintaining a voice in the grant-making decisions.

To get started, you make an irrevocable contribution – for example, the Raymond James Charitable Endowment Fund requires as little as \$10,000 – to the fund, which can be cash or marketable securities. You take a tax deduction, the assets are sold and reinvested, and you help direct how the proceeds are used by making grants based on your own charitable goals.



### BEST FOR ...

*Givers looking for a happy medium – to make a more organized, effective impact than direct giving without the administrative duties and time required by a private foundation.*

\*"New Age Philanthropy: Donor-Advised Funds Defy Sluggish Giving Trends," June 2013, Time

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*THE BIG QUESTIONS*

So now that you know a little bit more about who's giving, how they're giving and what your own options are, it could be time to dig in and start outlining or revisiting your own charitable giving plan.

To help you get started, we've outlined some of the big questions you'll want to ask yourself. Be sure to schedule time to discuss them with your financial advisor.

What are your giving goals? Who do you want to help and to what extent?

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How much will you need to preserve you current lifestyle?

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How much would you like to leave to your family and other heirs?

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What is a realistic amount you can give annually after you've met your own spending needs and saving goals?

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What charitable options are a good fit for your goals, both long and short term?

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880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 877.909.6444