COUNTY COLLEGE of MORRIS
FOUNDATION

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What is Planned Giving?

Planned giving, sometimes referred to as gift planning, may be defined as a method of supporting non-profits and charities that enables philanthropic individuals or donors to make larger gifts than they could make from their income. While some planned gifts provide a life-long income to the donor, others use estate and tax planning techniques to provide for charity and other heirs in ways that maximize the gift and/or minimize its impact on the donor's estate.

Thus, by definition, a planned gift is any major gift, made in lifetime or at death as part of a donor's overall financial and/or estate planning.

Whether a donor uses cash, appreciated securities/stock, real estate, artwork, partnership interests, personal property, life insurance, a retirement plan, etc., the benefits of funding a planned gift can make this type of charitable giving very attractive to both donor and charity.

What are the 3 types of planned gifts?

- First, outright gifts that use appreciated assets as a substitute for cash;
- Second, gifts that return income or other financial benefits to the donor in return for the contribution;
- Third, gifts payable upon the donor's death.

What gift plans return income to donors?

Charitable Gift Annuities (CGAs) make fixed payments, starting either when the gift is made (an immediate-payment gift annuity) or at a later date (a deferred or flexible gift annuity). Some organizations maintain pooled income funds, which commingle donations, pay beneficiaries variable depending on the earnings of the fund, and generally operate like a charitable mutual fund. Charitable remainder unitrusts and annuity trusts are individually managed trusts that pay the beneficiaries either a fixed percentage of trust income or a fixed dollar amount.

What are the tax benefits of planned gifts?

- Donors can contribute appreciated property, like securities or real estate, receive a charitable deduction for the full market value of the asset, and pay no capital gains tax on the transfer.
- Donors who establish a life-income gift receive a tax deduction for the full, fair market value of the assets contributed, minus the present value of the income interest retained; if they fund their gift with appreciated property they pay no upfront capital gains tax on the transfer.
- Gifts payable to charity upon the donor's death, like a bequest or a beneficiary designation in a life insurance policy or retirement account, do not generate a lifetime income tax deduction for the donor, but they are exempt from estate tax.