Introduction Charitable giving is a powerful tool for individuals of all ages and income levels who want to make a philanthropic impact that is aligned with their current financial circumstances. Different gift models can benefit prospective donors at any age, financial situation or life stage. These gifts can take many forms including outright gifts, bequests, charitable remainder trusts, charitable gift annuities, life insurance policies and more.

It is useful to examine different donor groups by age, income and financial asset values. Doing so will help nonprofits and advisors target the best giving options for charitable individuals of all ages. In this two-part series, we will explore the different strategies for charitable giving across different age groups. The first installment reviewed charitable gifts for younger generations (20s to 40s) and middle-aged individuals (40s to 60s). This installment will discuss giving strategies for retirees (60s to 70s) and seniors (late 70s and older). By understanding how a donor's charitable giving goals evolve over a lifetime, nonprofits and advisors can create a more personalized approach to philanthropy.

Strategies for Early Retirees (60s to 70s)

As donors enter this age group, many are retired or are approaching retirement and are focused on managing their finances to ensure lasting financial security. For many, the idea of planned giving becomes a central part of their estate and legacy planning. These individuals may have accumulated significant wealth over their lifetimes and now seek to share it in ways that reflect their values while minimizing taxes and providing for loved ones. Beyond the strategies discussed in the first part of this series, donors in or near retirement should consider additional variations of charitable remainder unitrusts (CRUTs) as well as charitable lead trusts (CLTs). At this stage, it may also be prudent to contemplate gifts of life insurance.

Unitrust for Lives or Lives Plus Term

With a CRUT, the donor transfers assets to the CRUT and the CRUT makes income payments to beneficiaries for life, lives, a term of up to 20 years or for a combination of both. Reg. 1.664-3(a)(5)(i). One requirement of a CRUT is that it must meet the 10% minimum deduction test. (See Part 1 of this series for a discussion of the requirements for charitable remainder trusts.) A CRUT designed for the lives of younger beneficiaries may not meet the 10% minimum deduction requirement because the present value of the remainder could be insufficient given the anticipated duration of payouts. As donors age, a one or two-life CRUT or lives plus term CRUT can be an effective strategy, as it is likely to meet the 10% test requirement.

In addition to the likelihood of passing the 10% test, this structure can be beneficial for donors with highly appreciated assets who want to increase their retirement income. For instance, individuals may want to sell a major asset when they reach retirement, such as securities or real estate, but would like to avoid paying immediate capital gains. A CRUT bypasses capital gains on the asset while providing a charitable deduction. For donors funding a CRUT with appreciated assets, the CRUT may provide them with increased income compared to what the asset was generating in the hands of the donor. In addition, the CRUT offers both income and the satisfaction of making a gift to charity.

Example 1 Lisa, 70, has an estate of $2.6 million including her home, brokerage accounts, CDs and mutual funds. Lisa has always supported her favorite local nonprofit, and she would like to find a charitable gift plan that can benefit her four children and the nonprofit. After several meetings with her attorney, Lisa establishes a one-life plus term of 20 years unitrust funded with $850,000 in highly appreciated stock that she purchased many years ago for $100,000.

CRUT bypasses $750,000 of capital gain and generates an income tax deduction of almost $200,000. Lisa's unitrust payment in the first year is expected to be $42,500, and the payment is expected to increase each year following a prudent investment strategy. When Lisa dies, her four children will continue to receive payments for the lesser of the children's lives or 20 years. After the trust ends, an estimated $1.2 million trust balance will be transferred to the nonprofit.

Testamentary Unitrust

Another unitrust option to consider is a testamentary unitrust funded with an IRA. These CRUTs are sometimes labeled a "give it twice" trust. Funding a CRUT with an IRA offers a strategic way to maximize the impact of retirement assets while balancing the goals of supporting loved ones and charitable causes.

When an IRA is left directly to heirs, it is typically subject to significant income taxes and must be distributed within 10 years. IRC Sec. 401(a)(9)(H). By naming a CRUT as the IRA beneficiary, the IRA is transferred to a tax-exempt trust that can provide beneficiaries with income over their lifetimes or a term of up to 20 years. Thus, payments can be stretched out for a period longer than the maximum 10-year period in IRC Sec. 401(a)(9)(H), allowing for income tax deferral and potentially lower tax brackets. At the end of the trust term, the remaining assets go to a designated charity, which qualifies the estate for a charitable deduction when the CRUT is funded and potentially reduces the estate tax liability, if applicable. This approach not only preserves wealth for beneficiaries through tax-efficient distributions but also ensures a lasting philanthropic legacy.

Example 2 Randall is a surviving spouse with a $3,000,000 estate, including $1,000,000 in a traditional IRA. He has one daughter, Kaitlyn, who is currently the designated beneficiary of his IRA. Randall is interested in learning about options to stretch out IRA payments to Kaitlyn after he passes while also benefitting the nonprofit he donates to every year.

Randall meets with his advisor who discusses a testamentary unitrust. The advisor explains that, after Randall passes away, the $1,000,000 traditional IRA passes to a 5% unitrust that will pay Kaitlyn for 20 years. A 5% unitrust will pay income of $50,000 in the first year with total estimated income of almost $1.1 million over the 20 years. After payment of costs, taxes and distribution to the unitrust, the balance of the estate is allocated outright to Kaitlyn. Randall's estate will also receive a charitable estate tax deduction for the value of the remainder interest going to charity.

One benefit of the plan is that Kaitlyn receives principal from the estate and income from the unitrust. If Kaitlyn were to make a mistake investing the principal of the estate, she would still have the security of the income distributions from the charitable trust. In addition, if Kaitlyn had remained the designated beneficiary of the IRA, the entire payout would be taxed as ordinary income and would only have been allowed to grow for ten years in the IRA before being distributed. The testamentary unitrust extends distributions over 20 years, potentially lowering her tax bracket over time. Randall is delighted that Kaitlyn will receive extended payments on the inherited IRA while protecting his estate and supporting his favorite nonprofit.

Family Lead Trusts

Family lead trusts can benefit high-net-worth individuals and their families by providing a strategic way to support charitable causes while also minimizing estate taxes and preserving wealth for future generations. In a family lead trust, assets are placed into a trust that makes regular payments to a chosen charity for a set period. After the term ends, the remaining assets are passed on to family members or other beneficiaries. While the donor does not receive an income stream, the benefit of the lead trust is that it allows the donor to take a deduction.

A family lead trust can be structured as a charitable lead annuity trust (CLAT) or unitrust (CLUT). A charitable income tax deduction is available for grantor lead trusts, where the trust corpus returns to the grantor upon termination. With a non-grantor lead trust, the corpus is distributed to the donor's family, which will lead to either a gift or estate tax deduction. Finally, the donor may also set up an intentionally defective grantor lead trust, known as a super lead trust, which will allow both income and gift or estate tax deductions.

Unlike charitable remainder trusts, lead trusts are taxable trusts. Thus, careful consideration must be given to the tax consequences of selling an appreciated asset inside the lead trust. Family lead trusts, however, can be successful when funded with securities if the trustee carefully balances the income and growth with the distributions to the nonprofit.

The initial funding is irrevocable, meaning the donor loses control over those assets. If investment returns are lower than expected, the remainder left to the family may be less than anticipated. Furthermore, lead trusts can be complex to administer and may require ongoing legal and tax guidance, making them better suited for individuals with substantial estates and sophisticated planning needs.

Example 3 Jerry and Susan operated a successful restaurant chain for 30 years. After they retired, they sold the business and their buildings to invest in stocks and bonds. Jerry passed away several years ago, leaving his entire estate to Susan. Susan now has a substantial estate and wants to support her favorite nonprofit and distribute assets to her grandchildren with minimal tax impact. She sets up a $5 million charitable lead unitrust (CLUT) paying 5% for a 20-year term. In the first year, the trust pays $250,000 to the nonprofit. Over 20 years, it is estimated that the charity will receive over $5,500,000.

Susan receives a charitable gift tax deduction of $3,115,305 at the time she sets up the CLUT, reducing the taxable gift to her grandchildren to $1,884,695. Thus, $1,884,695 of Susan's generation skipping transfer tax (GSTT) exemption is allocated to the trust to zero out the GST liability. When the CLUT terminates after 20 years, the remaining corpus that passes to Susan's grandchildren is expected to be $6,100,000. Susan is very pleased with this plan since no gift tax is owed, and the assets distributed to her grandchildren will be worth much more due to investment growth. Meanwhile, Susan gets to support a cause she values and transfer wealth in a tax-efficient way.

Life Insurance

Gifts of life insurance policies to charities are a strategic and impactful way to support philanthropic causes while potentially receiving tax benefits. If donors' children are grown and debts are paid off, financial protection from a life insurance policy may no longer be needed. Therefore, the policy can be converted into a meaningful charitable gift. Donating a life insurance policy can also help reduce estate taxes, especially for those with estates above the federal exemption limit, since the policy's value is removed from the taxable estate.

When ownership is transferred, the donor may be eligible for a charitable income tax deduction equal to the lesser of the policy's value or the donor's basis in the policy. IRC Sec. 170(e) and Rev. Rul. 78-137. In general, the donor's basis in a life insurance policy equals the total amount of premiums paid by the donor. As a practical matter, the charitable income tax deduction will normally equal the donor's basis because, in most instances, the cost basis will not be greater than the policy's value. While the deduction may be limited to cost basis, the nonprofit is able to realize the full death benefit if it retains the policy.

A senior donor may own an insurance policy that has value to investors. The life settlement process enables investors to purchase a policy that a donor has gifted to charity. After the gift of an insurance policy, an investor may purchase it from the charity with a payment greater than the policy's cash surrender value. The nonprofit receives the payment, and the donor receives an appreciated property deduction for the basis and the excess of the settlement payment over the cash value. The donor must have an appraisal if the deduction is over $5,000. Development directors may search "nonprofit life settlement of insurance policy" to locate the best company to assist in the life settlement process.

Strategies for Seniors (Late 70s+)

Donors in their late 70s or older are often the focus of planned giving marketing efforts. These donors are actively engaged in estate planning, have fewer financial liabilities and are considering their legacy and values. At this stage, these donors are ready for strategic giving options such as qualified charitable distributions (QCDs) from IRAs, charitable gift annuities (CGAs) and retained life estates. QCDs allow qualified individuals to transfer distributions from their IRA directly to a charity, potentially satisfying required minimum distributions (RMDs) while reducing taxable income. For those wanting an income stream alongside charitable giving, CGAs allow a donor to make a substantial gift to a nonprofit while receiving fixed income payments for life. Similarly, a retained life estate lets a donor give their home or property to a charity while retaining the right to live at that home or property for the rest of their life. These types of planned gifts not only honor the donor's legacy but also provide peace of mind and create lasting contributions for the causes they care about deeply.

Qualified Charitable Distributions

A QCD is an excellent way for individuals aged 70 ½ or older to give to a qualified charity directly from their IRA without including the distribution as taxable income. IRC Sec. 408(d)(8). In most cases, QCD gifts will be transferred from a traditional IRA to a public charity for the general purposes of the charity, but they may also be used for a field of interest fund or for another qualified charitable purpose. The inflation-adjusted annual limit on outright QCDs for 2025 is $108,000.

While there is no charitable deduction for a QCD, the exclusion from taxable income helps prevent donors from being pushed into higher income tax brackets and reduces the impact of phase-outs for income tax credits and deductions. For IRA account holders over 73, a QCD can also satisfy part or all of their RMD for the year. This is a valuable tool for supporting charitable causes and meeting an RMD obligation without incurring additional taxable income.

Example 4 Don, 78, is required to take a $25,000 RMD from his IRA this year. However, he does not need that money for living expenses and wants to support the local food bank. Instead of withdrawing the full amount and paying taxes on it, Don instructs his IRA custodian to send $25,000 directly to the food bank as a QCD. By doing so, the $25,000 will not be added to his taxable income. In essence, he meets his RMD requirement, helps a cause he cares about and avoids paying income taxes on the distribution.

The SECURE 2.0 Act provided additional enhancements to QCD provisions. Under Section 307, individuals are allowed a one-time rollover under IRC Sec. 408(d)(8)(F). In 2025, the inflation-adjusted maximum amount allowed from an IRA to a life income plan is $54,000. This option may appeal to donors who are looking for guaranteed lifetime payments to supplement other retirement incomes.

When using a QCD to fund a life-income plan, the IRA distribution may be to a standard payout charitable remainder trust or to an immediate charitable gift annuity. If the distribution is to a charitable remainder trust, the remainder interest must be distributed to an exempt nonprofit. For a charitable gift annuity, it must have a 5% or higher payout rate. The lifetime income must either benefit the IRA owner, the IRA owner's spouse or both. By funding a split-interest gift with a QCD, the donor can achieve their philanthropic goals, receive income and create a legacy while taking advantage of the tax benefits of this one-time QCD.

Charitable Gift Annuities

Many nonprofits offer charitable gift annuities (CGAs). With a CGA, a donor gives cash or other assets to the nonprofit in exchange for a promise to pay a set percentage of the initial funding amount to one or two annuitants for life. The charitable deduction for a CGA is based on the present value of the remainder interest at the time of the gift. Most nonprofits that issue CGAs rely on the American Council on Gift Annuities' (ACGA) suggested maximum payout rates. The suggested ACGA rates target a 50% residuum of the original contribution to the gift annuity. The older an annuitant is when the CGA is established, the higher the annuity rate will be since the nonprofit anticipates a shorter lifespan for older annuitants. There are favorable fixed rates up to

10.1% under the current ACGA suggested maximum rate schedule that took effect on January 1, 2024.

For senior donors, the higher annuity rates offered by an immediate CGA are very attractive. Beyond these enhanced payouts, older donors often appreciate CGAs for their provision of guaranteed lifetime income, which is a comforting financial option in retirement. For this demographic, gift annuities also offer a significantly greater deduction and income than unitrusts along with the added benefit of being simpler to establish. Additionally, these donors are also less concerned about protection from inflation over the long term, making an immediate CGA an excellent planning tool.

Life Estate or CGA for Home

If an older donor owns a home and has a moderate amount in liquid assets, a life estate reserved or a gift annuity for remainder interest in their home may be appropriate. Life estates are also beneficial for donors who own multiple residences with large retirement income and desire a charitable deduction to reduce their current tax liability. Donors of modest means and no heirs could also benefit from a life estate as this simplifies the estate administration process and makes a lasting gift to a nonprofit.

With a life estate reserved, a donor receives a charitable deduction for the transfer of a remainder interest in a personal residence, farm or ranch. IRC Sec. 170(f)(3)(B)(i). A retained life estate allows the donor to continue to live in his or her home while donating the vested remainder interest to a nonprofit. In this scenario, there is an irrevocable transfer to the nonprofit of the donor's remainder interest in a personal residence while the donor retains the right to use the property for life, lives or a term of years. IRC Sec. 170(f)(3)(B)(i). The donor is entitled to take an income tax deduction for the present value of the remainder interest. A life estate allows the donor the right to reside in and utilize the property for their lifetime, regardless of whether they decide to reside in a different location.

For donors who want to continue to live in their home but also want an income stream, a CGA can be combined with a retained life estate. Under this gift scenario, the donor retains the life estate interest, and the remainder interest is vested to the charity for the purpose of funding the CGA. The CGA contract is then funded based on the present value of the remainder interest irrevocably transferred to the charity. Using this method will allow the charity to receive the home in exchange for the charitable gift annuity payments during life.

Example 5 Paul, 82, would like to make a generous donation to his favorite charity. He owns a vacation cabin on a lake valued at $550,000 with a cost basis of $200,000. He is considering using the property to make a charitable gift but loves spending time at the cabin in the summer. Paul's advisor explains to him the concept of a gift annuity for a home.

The advisor explains that Paul would retain the right to live in and use the cabin for his life, while also receiving annuity payments based on the present value of the remainder interest transferred to the charity. He will receive a charitable deduction of approximately $177,000 that may save him over $56,000 based on his 32% tax bracket. His annuity rate based on his age is

8.5% and would produce annual annuity payments of over $31,000. During his life, Paul has the right to live in and use the cabin, while also receiving payments. Paul is excited that this planned gift will satisfy his goals. He will streamline his estate plan and receive increased retirement income while spending time fishing during the summer and making a gift to his favorite nonprofit.

Charitable Remainder Annuity Trust

A charitable remainder annuity trust (CRAT) pays out a fixed percentage of the initial funding amount each year. As with charitable remainder unitrusts, CRATs must pay between 5% to 50% and must produce a deduction equal to or greater than 10% of the initial funding value. In addition, CRATs with a duration of life or lives must pass the 5% probability test to qualify as a tax-exempt charitable trust. This test requires that there is a less than 5% probability that the corpus of the CRAT will be exhausted before it terminates. The calculation for the 5% probability test is influenced by the age of the beneficiaries, the applicable federal rate (AFR), the payout rate and the payment frequency. The older the beneficiary, the more likely the CRAT will pass the 5% probability test.

For older donors, a one or two-life annuity trust may be appropriate. Although the fixed payments could deflate the trust corpus, it will still be likely to pass the 5% test due to the relatively shorter life expectancy of the beneficiaries. In addition, since the life expectancy of seniors in this group ranges from 5 to 15 years, annuity trusts are acceptable because there is much less concern for inflation protection than with the newly retired group. A CRAT also offers the benefits of bypassing capital gains on appreciated assets while providing a charitable deduction.

Example 6 Marco, 80, inherited stock many years ago from his uncle. The stock was valued at $45,000 at the time of his uncle’s death and has now appreciated to $500,000. Marco would like to receive a fixed, reliable income for life and to support a large national nonprofit where he currently volunteers. If Marco sold the stock, he would owe capital gains tax based on $455,000 of capital gains. By transferring the stock to a CRAT, the trust sells it tax-free and reinvests the $500,000. CRAT pays Marco a fixed annuity of 6% based on the $500,000 funding value, which equals $30,000 per year. This steady income is helpful in retirement and makes it easier for Marco to budget since it is a fixed amount. Marco also gets an immediate income tax deduction based on the present value of the charitable remainder interest. He is satisfied knowing that, when he dies, the remainder will go to fulfill his philanthropic goals. If Marco was much younger or if AFR rates were significantly lower, then Marco’s CRAT would fail the 5% deduction test and Marco would need to investigate other CRAT or CRUT options.

CONCLUSION

There are many charitable strategies that can be used for different age and income levels depending on each donor's circumstances and charitable goals. Using charitable gifts, individuals of any age and income can align their financial objectives with their philanthropic efforts while realizing tax savings or other benefits. By understanding the different gift models and the tax advantages offered by charitable gift strategies, professional advisors will be well-equipped to guide and support individuals through every stage of life.

Personal perspective: It is important while you or your donors are accumulating wealth to consider establishing charitable life income programs during working years to reduce taxes and reduce the out-of-pocket cost of current gift options.

1. I have a Donor Advised Fund built over time to receive a charitable deduction that reduced my taxes. Now I use the funds to support my senior philanthropy.
2. I have 7 charitable gift annuities. Most are 2 life deferred annuities which may be turned on when the first spouse dies.
3. I have a commercially sponsored Pooled Income Fund established with highly appreciated Microsoft ($0.16 cost per share), which provides 5.25% monthly life income.
4. I use QCDs for all our charitable gifting and am evaluating a QCD to CGA this year.

ABOUT JAMES E. CONNELL

James E. Connell FAHP, CSA of Connell & Associates, Pinehurst, North Carolina, is a respected gift planning consultation firm with over four decades of experience offering a broad range of charitable estate and gift planning services to non-profits throughout the country. He heads CONNELL & ASSOCIATES, Charitable Estate & Gift Planning Specialists in Pinehurst, North Carolina. Contact him to help your organization analyze the value CGAs may provide.

Contact James at 910-295-6800 or james@connellandassoc.com or fax him at 910-295-6866