

Introduction Charitable giving is one of the most meaningful ways that donors and their families express their values, support the causes they care about and create a lasting impact. While generosity often begins with personal motivation, turning philanthropic intent into effective giving requires guidance from the donor's professional advisors. Whether it is the donor's attorney, accountant or financial advisor, these individuals play a critical role in helping donors maximize their financial benefits while making a meaningful contribution to the causes they care about.

This article will explore the role of advisors by highlighting how they can best support their donors and focus on key areas to discuss to ensure the donor's philanthropic goals are met. It will examine the types of questions advisors should be prepared to ask and provide a range of donor profiles they are likely to encounter. Finally, it will address the importance of collaboration among all the donor's advisors to create coordinated and effective gifting strategies.

Identifying Donor Intent and Goals

An important role of professional advisors is helping donors articulate their charitable objectives clearly so that the best charitable strategies are pursued. Identifying and clarifying a donor's goals starts with asking targeted questions. Rather than diving into the technical aspects first, advisors typically ask about the causes that matter most to the donor, whether they prefer to give now or in the future, which assets could be used and whether the gift is intended to be immediate, long-term or multigenerational.

Everyone has a story and advisors often ask donors to share theirs to understand how their personal experiences have influenced their philanthropic interests. Understanding a donor's journey helps shape and align their philanthropic goals. Identifying a donor's objectives can be done by confidently exploring with a donor how to give, what assets to use and why the strategies support the donor's objectives.

How to Give?

One of the most important responsibilities of an advisor is explaining the various giving methods available to donors. Advisors can help donors understand how they can make a charitable gift by explaining their options and matching the gifting vehicle to the donor's objectives. By first describing the different ways that the donor can give, the advisor helps the donor understand not only how each method works but can narrow down the choices based on the desired outcome.

There is no "one size fits all" when it comes to charitable giving. The charitable giving field offers a wide array of giving vehicles, including outright gifts, donor advised funds (DAFs), charitable remainder trusts (CRTs), charitable gift annuities (CGAs) and estate-type gifts such as bequests or beneficiary designations. Each gifting strategy has its distinct characteristics and benefits. Knowing which ones to pursue will depend on what the donor is hoping to accomplish with the gift.

Advisors may choose to analyze the ways a donor can give by first looking at the simplest and easiest options first. If a donor desires immediate impact with the largest deduction, then the advisor might explore outright gifts of cash, appreciated assets or contributions to a DAF. Advisors can also emphasize that outright gifts are easy to complete and immediately useful to the charity. Exploring outright gifts is often the practical starting point before advisors introduce more complex giving options.

For donors with a desire to receive both a charitable deduction and lifetime income, options such as CGAs and CRTs may be appropriate gifting vehicles to suggest. Often, advisors look for clues from the donor, such as the need for cash-flow or supplemental income, that will lead the advisor towards these options. Once the advisor knows that a structured vehicle is the appropriate choice for the donor, they can proceed to discussing which specific option best meets the donor's goals. Most often, advisors will be able to recommend one over the other by factoring in the donor's age, risk tolerance and desired level of involvement. For example, CGAs are often used for senior donors who prefer fixed and guaranteed payments. On the other hand, CRTs are best suited for donors who are more comfortable with varied income, trustee oversight and working with an attorney.

Finally, if the donor wishes to retain the use of their assets throughout their lifetime, advisors can discuss testamentary gifts such as making a bequest through their estate plan. Advisors frequently encounter donors who want to give but may be unwilling to part with assets during their lifetime out of concern for long-term financial security during their retirement years. Advisors recognize these concerns as opportunities to explore testamentary planning options to accomplish the donor's philanthropic goals. When advisors effectively explain that these types of gifts are revocable, flexible and adjustable over time, donors tend to feel more comfortable with the idea and make larger gifts out of their estate than they would have during their lifetime.

What to Give?

Once an advisor has discussed how a donor can give, the conversation typically shifts to what the donor can give. Donors spend their lives acquiring assets and building up their wealth, often with guidance from their advisors. When the time comes to decide which assets to use for charitable giving, donors frequently seek guidance from their advisors who supported their wealth accumulation. Without strong guidance, donors may overlook gifting opportunities that could better accomplish their goals.

Identifying what assets are available to gift may feel overwhelming for a donor, but an advisor who is familiar with the donor's financial situation can help lessen this burden. Rather than making an itemized list, advisors regularly categorize assets by their character. For instance, an advisor might break down a donor's assets into categories such as cash, securities, real estate holdings, retirement funds and business interests. Once donors can clearly see what they own, they may feel less overwhelmed with their options.

If a donor has a diverse portfolio of assets, it could be helpful to discuss each asset category and explain the benefits of gifting that specific type of asset. Cash represents the simplest and easiest form of giving that makes an immediate impact. Gifts of appreciated assets such as stock or mutual funds offer additional tax advantages such as avoiding capital gains taxes. Donating appreciated real estate such as a home, vacation property, farmland, ranch or commercial property also bypasses capital gains taxes on the sale and allows the donor to claim a charitable deduction based on the value of the gift as determined by a qualified appraisal. A gift of a business interest is an often-overlooked way for a donor to exit a business, save on taxes and create income. Finally, beneficiary designations of retirement assets such as an IRA, 401(k) or 403(b) help avoid potential estate taxes and income taxes to heirs.

Advisors can also help donors evaluate which assets are the most appropriate for their charitable giving by asking how each asset functions in the donor's life. Advisors can explain that donors should not give

assets needed for living expenses or emergencies. Rather, donors should use assets that will not impact their financial stability while still accomplishing their desired charitable objectives.

Why Give?

Donors' motivations for giving can be a deeply personal question as the causes they care about may stem from their life experiences. Beyond expressing personal values, donors may be looking for ways to help reduce their taxable income or avoid taxation of highly appreciated assets. Advisors can explain how donors can accomplish their goals of helping others while reducing taxes at the same time.

While tax benefits are rarely the sole motivation for charitable giving, they are an important consideration. A donor may be aware that charitable giving offers a deduction for their charitable contribution, but there may be other additional factors or implications that donors may not be aware of.

For example, under the One Big Beautiful Bill Act (OBBBA) donors must now ensure their annual charitable gifts exceed 0.5% of their adjusted gross income (AGI) in order to claim an itemized charitable deduction. For high-income donors in the 37% tax rate, they will see their tax savings for charitable gifts capped at 35%. As a result, it will be important for donors to work with their advisors so they can understand their available deductions and learn how recent tax laws can affect their overall tax strategy.

Some commonly gifted assets are highly appreciated assets such as stock or real estate, largely due to the tax benefits. Whether the asset is used for an outright gift or a planned gift, advisors can explain the benefit of avoiding capital gains taxes while still receiving a charitable deduction. Often these highly appreciated assets were acquired years or possibly decades ago, resulting in the donor having a low basis in the asset. If the donor decided to sell the appreciated asset on their own, they would be responsible for paying the capital gains taxes upon the sale. Advisors can describe why such assets are well suited for charitable giving, as the donor could potentially bypass part or all of the capital gains tax by either gifting the asset outright or using it to fund a planned gift like a CGA or CRT.

The question of why a donor should give is not just limited to lifetime gifts. If a donor is concerned about having a taxable estate, they will approach their advisors to view their options. Advisors can help donors understand the lifetime exemption amount and the importance of keeping their estate value below that threshold amount to avoid gift and estate taxes. With the current federal estate tax exemption at \$15 million per taxpayer, donors may consider outright charitable gifts or bequests in amounts that bring their estate just below the federal exemption. Having an estate fall below the federal exemption limit not only maximizes inheritances for family but also manages estate tax exposure on amounts in excess of the exemption limit.

Donor Profiles Understanding the strategies to consider will depend on the type of donor with whom the advisor is counseling. As such, a brief overview of different donor groups can provide advisors with a jumpstart on the strategies to explore.

Younger Donors Younger donors often begin their charitable giving with more modest gifts and typically seek immediate tax deductions to offset current income. As such, they are prime candidates for outright gifts of cash, stock, or unique assets like cryptocurrency. Another great option for these donors

is to establish a DAF which can be beneficial to those who are committed to supporting long-term causes but want flexibility in how and when they make those gifts.

It is also helpful to discuss with younger donors the ease and benefits of adding a bequest to a nonprofit in their will or trust. A bequest allows the donor to have continued lifetime use of the property that he or she will leave to the nonprofit. These donors may also be contributing to retirement accounts such as a 401(k) or an IRA, so it can be helpful to discuss designating all or a portion of their retirement accounts to charity.

Middle-Aged Donors Donors in their peak-earning years may be looking for ways to prepare for their retirement. For those aiming to enhance post-retirement income, deferred CGAs are an appealing option, as payments can begin when they retire and they can receive a higher payout rate. If they are unsure when they will retire, a flexible deferred CGA can provide adaptability by allowing the annuitant to pick a target date in the future and retain the right to decide when payments will commence. If payments start earlier than the target date, the payout amount will be lower. If payments begin after the target date, the payout rate will increase. The deduction is determined at the time the deferred annuity is established and does not change. Only the payout amount varies based on when payments begin.

Another option for donors with larger estates is to establish a retirement unitrust. A retirement unitrust is structured as a FLIP trust, beginning as a net income plus makeup CRUT (NIMCRUT) that pays the lesser of trust income or the unitrust percentage. After the initial establishment of the unitrust, the investment strategy can focus on principal growth during the years in which income is not needed. After a “trigger event” occurs, the trust “FLIPS” to a standard unitrust payout. The trigger event must be some event not within the control of the trustee, such as a planned retirement date. This will “turn on” the income stream for donors once they reach their retirement years.

Retired Donors Retired donors enjoying their retirement years will be focused on managing their assets to ensure financial security. They have accumulated wealth during their careers and will still be exploring ways to receive income and minimize taxes. CRTs are recommended for this group as payments can be structured for life, lives, a term of up to 20 years or for a combination of both. The CRT will provide an income stream to these donors while saving taxes because the trust can sell assets and accumulate growth tax-free.

Retired donors are great candidates for CGAs as they can qualify for larger payout rates. These donors could use low-income-producing assets in exchange for a CGA that guarantees payments for the rest of their lives. Additionally, as these donors begin taking required minimum distributions (RMDs) from their IRAs, they can take advantage of using a qualified charitable distribution (QCD) for a one-time rollover in exchange for a CGA. This strategy helps by potentially satisfying their RMDs while also providing supplemental income.

Senior Donors Senior donors may be looking for ways to provide both family and charity with gifts that help minimize their estate taxes. By making irrevocable gifts, these donors are able to reduce the size of their taxable estate. Making QCD gifts during life or naming a charity as the designated beneficiary of their 401(k) or IRA can reduce the taxable value of the donor’s estate and leave a substantial gift to a nonprofit without incurring estate taxes. These donors can also include bequests to

charitable organizations in their estate plans to ensure that the donor's philanthropic goals continue beyond their lifetime and create a meaningful legacy.

Beyond outright gifts to charity, these donors may establish structured gift vehicles to leave an inheritance to their family while also supporting their charitable causes. In the same way a donor can establish a CGA or CRT for themselves, donors can establish these vehicles at their passing to benefit their loved ones. One strategy is to use the donor's IRA to fund a CRT that pays out for the beneficiary's lifetime rather than leaving the IRA directly to the beneficiary. Under current law, inherited IRAs must be withdrawn over a ten-year period. By using the IRA to fund a testamentary CRT, the beneficiary can instead spread the payouts over their lifetime, potentially creating a more favorable tax outcome.

Collaboration Among Advisors

It is very common for donors to have a team of advisors helping them make informed decisions. While a donor might meet with each advisor for different needs throughout the gift planning process, it is important to view each advisor as an essential member of a team with the overall goal of furthering the donor's charitable ambitions.

Whether it is the donor's attorney, CPA or financial advisor, each advisor must first start by establishing a collective understanding of the donor's objectives. This may come from the donor meeting with each advisor individually or having a joint meeting to ensure that everyone understands what the donor is trying to accomplish.

The next step can be to define the roles of each advisor. For example, if a donor is interested in setting up a CRT, the attorney can be tasked with drafting the trust documents and titling assets over to the trust, the financial advisor may be responsible for the trust's investments, while the CPA can handle filing the necessary tax forms. Each advisor can handle distinct aspects of the process, yet they all come together to complete the gift for the donor.

When a donor's advisors work together, the donor feels confident that the appropriate assets are being used, objectives are achieved and potential issues are addressed or avoided. No matter how many advisors a donor may have, when all the advisors are involved in the gifting process, it helps ensure the donor achieves the strongest possible outcome. With this confidence, donors may be inclined to make additional gifts or increase the size of their gift knowing that they have the support needed to help them.

Conclusion

Professional advisors serve an important role in a donor's philanthropic journey by utilizing their expertise to meet their client's charitable goals. With the advisor's guidance, donors can be confident that their charitable intent is fulfilled in the most efficient and effective way. By asking the right questions, knowing the donor profiles and collaborating as a team, advisors can help ensure their donors make gifts that create a meaningful and lasting impact.



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