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How to Leave Money to a Charity in Your Estate Plan

From the Office of ABC Smith, PLLC

October 16-20 is National Estate Planning Awareness Week!
Estate planning is a critically overlooked component of financial wellness. It is estimated that 56% of Americans do not have an up-to-date estate plan. This causes hardship, financial or otherwise, that can be diminished by advanced planning.

National Estate Planning Awareness Week exists to help the public understand the need for estate planning, and who the qualified team of professionals is that stands ready to assist.

In honor of National Estate Planning Awareness Week, we've gathered tips for an often-overlooked aspect of estate planning: **how to leave money to a charity**.

3 Main Methods

Planning to leave money to a charity in your estate plan is what we call "planned giving." It is a powerful way to leave your legacy and speak about what was important to you, and we encourage each of our clients to consider this legal tool as they think about the future.

Planned giving can enable you to give more, reduce taxes, and maximize your impact, but how do you do it?

There are three main ways you can leave money to a charity in your estate plan, and you can put your own creative twist on each one:

1. Gifts at Death

The most common planned giving method is to set up a way to give when you die. You can do this with a will, a revocable ("living") trust, or beneficiary designations on retirement or investment accounts and life insurance.

Here's a quick breakdown of each of these:

- **Gifts in wills or living trusts:** To give to a charity in your will or living trust, you simply include that charity as one of your beneficiaries. You can either leave them a specific monetary amount or a percentage of your entire estate. You can use language like this:

I hereby give ____ % percent of my total estate, determined as of the date of my death to XYZ Charitable Organization, a nonprofit organization located at 1234 Street address, Suite 100, City, State, Zip, Federal Tax ID #12-1345678, for XYZ Charitable Organization's general use and purpose.

I hereby give $ ____ and no/100 dollars to XYZ Charitable Organization, a nonprofit organization located at 1234 Street address, Suite 100, City, State, Zip, Federal Tax ID #12-1345678, for XYZ Charitable Organization's general use and purpose.

To make sure your will or living trust does what you want it to do, you should consult with an estate planning attorney who has experience in charitable gifts.

- **Life insurance and retirement accounts beneficiary designations**: You can also give by naming a charity as a beneficiary on a life insurance policy or retirement or investment account. To do this, request a change of beneficiary form from your life insurance carrier or investment brokerage. Fill it in with the amount you have selected, and make sure to include the charity's legal name, address, and Tax Identification Number (TIN) were indicated for a beneficiary.
    - XYZ Charitable Organization, a nonprofit organization located at 1234 Street address, Suite 100, City, State, Zip, Federal Tax ID #12-1345678
- Then, return the form to the carrier or brokerage and confirm they have received it and processed it.

2. Charitable Trusts and Annuities

Another way to set up planned giving is to create a charitable trust or a charitable annuity. The advantage of these structures is that they allow you to receive an immediate tax deduction for gifts that happen in the future.

- **A charitable remainder trust** allows you to keep (or give to relatives) the income from a certain asset(s) for a time. When that period is up, the assets are given to your designated charity. This allows you to create a stream of income for yourself or others until it is no longer needed.
- **A charitable lead trust** is a trust in which the income from certain assets goes to a charity for a period. When that time ends, the assets are given back to you or to your loved ones. This trust allows you to give a charity the income from an asset for a while, and then have the asset returned to you or your loved ones.
- **A charitable annuity** is a contract you enter with a charity wherein you make a lump sum gift to them, and they agree to make payments to you for a time (normally, your lifetime).

With all trusts and annuities, we strongly recommend that you obtain advice and assistance from an estate planning attorney with experience in charitable gifting before you create one.

3. Gifts of Appreciated Assets or Investments

The final method of planned giving is to give appreciated assets or investments. These are assets which have increased in value since you bought them, and if you sold them, you would owe capital gains taxes. By gifting these assets (instead of selling them and giving the cash), you can give more because the charity will not have to pay capital gains tax when they sell the appreciated assets.

While you can certainly make these gifts without assistance, you may wish to speak with a tax professional to make sure you maximize your tax savings from such gifts.

Of course, which method(s) of planned giving is best for you will depend on your specific circumstances. But we hope that you now have some ideas about how you can use leave money to a charity in your estate plan and support an amazing organization or multiple organizations. If you have questions about planned giving, please contact the organization you wish to support or an estate planning professional.

Name, Title
Company
Phone, email, website

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