Society of Certified Insurance Counselors Honors Martha Wentworth for 20 Years of Dedicated Leadership and Professional Development

Martha Wentworth, CIC, CRM, CPRM, was recently recognized for professional leadership and advanced knowledge by the Society of Certified Insurance Counselors.

Martha was awarded a certificate of achievement recognizing 20 consecutive years of successfully maintaining the Certified Insurance Counselor (CIC) designation. The CIC designation requires an annual continuing education update ensuring that her education is always up-to-date and relevant.

Martha is a business insurance producer who serves clients across Maine from the Allen's Waterville office.

In addition to her CIC designations, Wentworth maintains the Certified risk Manager (CRM) and Certified Personal Risk Manager (CPRM) designations. She recently celebrated her 25th work anniversary with the company.

“The CIC program’s unwavering dedication to fostering professional excellence has set a high standard in our industry,” said Dan Bookham, senior vice president for business development at Allen. “Martha’s consistent pursuit of growth and development is truly inspiring, serving as a model for her colleagues within our company and across the Maine insurance community.”

ABOUT THE CIC PROGRAM: The CIC Program is nationally recognized as the premier continuing education program for insurance professionals, with programs offered in all 50 states and Puerto Rico. Headquartered in Austin, Texas, the Society of CIC is a not-for-profit organization and the founding program of The National Alliance for Insurance Education & Research.

Making Lemonade From Lemons: Long-Term Capital Loss Stock Creates Another Type of Tax-Efficient Charitable Gifting Opportunity

Sarah Ruef-Lindquist, JD, CTFA

By Sarah Ruef-Lindquist
For Pen Bay Pilot

For those of us working in the area of wealth management, 2022 will long be remembered as the year the stock market rolled gains back – way back – to pre pandemic levels. 2021 ended on a high note…the indices at or near all-time highs, after a climb from a downtick in early 2020 as the pandemic set in and the economy shut down. As 2021 came to a close, charitable gifts of long-term capital gain stock were the norm, and plentiful.

Then the markets began a slide as January slipped into February and valuations, including bond values as interest rates were raised by the Fed, walloping investors who have long relied upon a balanced portfolio to weather the storms of market volatility. As 2022 comes to a close, investors are seeing some signs of market value recovery, but it's feeling a like it could be a very slow, volatile, long climb ahead.

Donors may feel that what would have been a great, tax-efficient opportunity to use long-term appreciated stock has gone by…and it may have, for a while. But let's not forget the other side of that charitable gifting sword: using long-term capital losses to fund charitable gifts.

How could that work? A sale of stock that has been held more than 1 year that has declined in value below its basis or purchase price can generate a loss, and the proceeds of the sale can be used for a charitable gift.

Let’s say you purchased or inherited stock with a basis of $5,000 and held it for more than a year. The current value is $1,000. If you sell it, your loss is $4,000, which can be used to offset gains now or in future years as a carry-forward. What gains? Many mutual funds declare gains, even in years when the stock market has had an overall decline, so many investors will actually have realized gains within their portfolios, even if they haven’t sold anything. Losses can be used to offset gains.

You can use the $1,000 proceeds to make a gift of stock to charity and if you itemize, you can take an itemized deduction for that $1,000. That’s a lot of tax savings, now and in future years.

Consult with your tax or financial advisor to learn more about this opportunity and how it could apply to your situation before Dec. 31, 2022.

Your Guide to Charitable Giving Through Crowdfunding

As fall quickly approaches, so do the seasons of giving thanks, giving gifts, and for many, giving *back*. In fact, according to the 2021 Charitable Giving Report by the Blackbaud Institute, a cloud software company serving the nonprofit and social good community, 37 percent of all charitable giving happens in October, November, and December. And, thanks to the widespread use of social media, crowdfunding—raising money from a large number of contributors—is becoming the easiest method of soliciting funds for charities and personal causes.

The report also determined that online giving has grown 42 percent over the past three years, with a 9 percent increase in 2021 alone. So, whether you're inspired to donate by Giving Tuesday, a Facebook birthday fundraiser, a teacher's Amazon wish list, or a neighborhood family's GoFundMe page, the chance to donate is just a click away. But there is more you need to know before you click. When you plan to donate to any charitable organization, including via social media, do your research. Here, we answer common questions about this accessible method of giving.

Is My Crowdfunding Donation Tax Deductible?

Many crowdfunding sites have a symbol or other indicator that the organization is a registered charity and, therefore, tax exempt and eligible to receive tax-deductible contributions. You can also go directly to the organization's website to learn its tax status. In addition, the IRS has a tool called the Tax Exempt Organization Search (TEOS), which allows you to search any charity to determine whether it's registered as a 501(c)(3) organization.

This search can also help you find out if the charity has had its tax-exempt status revoked, which can happen if it hasn't filed the necessary paperwork for three consecutive years (among other reasons). Whether you write a check or donate through a Facebook fundraiser, a donation to a verified 501(c)(3) organization is tax deductible. Keep in mind that some charities, like religious organizations, aren't required to have

501(c)(3) status, but donations to them are still tax deductible.

A donation to an individual, on the other hand, is not. You may feel compelled to give money to a family having trouble paying medical bills via GoFundMe, or to a good friend who launched a campaign to finance a new product via Kickstarter. While those are likely helpful and much-needed donations, they’re not tax deductible for the donor.

If you’re itemizing deductions on your tax return rather than taking the standard deduction, be sure to keep receipts and detailed records of your donations. Check with your financial advisor for guidance on how to maximize your tax savings.

How Can I Tell If a Request for Donations Is Legitimate?

While it’s fairly easy to visit the IRS search tool or a charitable organization’s website to research its tax status and government filings, individual or private recipients aren’t as easily vetted. Unless you personally know the recipient or can somehow verify their need, it’s wise to keep your giving to causes you trust. Of course, social networks do enable you to vet friends of friends, or view posts and comments that will help you to judge whether a cause is legitimate.

You can also look to the specific crowdfunding site to see if an organization does its own vetting. GoFundMe, for example, has a one-year guarantee wherein you can submit a claim through the site if you think you’ve contributed to a fraudulent fundraiser within that period. If its experts determine your donation went to an illegitimate cause (note: this determination is at the discretion of the site), you will be refunded in full.

What Percentage of Donations Actually Supports the Cause?

This varies from site to site, and it's worthwhile for you to do some digging to make sure your gift has the largest impact. GoFundMe, for example, deducts a transaction fee of 2.9 percent plus $0.30 per donation. Facebook doesn't charge transaction fees for donations to charitable organizations, but does deduct a 2.6 percent plus $0.30 processing fee for donations to personal causes.

Check the details on the specific platform you're planning to use to help you determine whether it makes sense to donate through that site or another way. The charity website will also likely have a transaction fee to cover processing, but if you're skeptical that your funding will actually reach the intended organization, donating directly instead of through social media may be your safest bet.

Is Donating Through Social Media Instead of the Organization Beneficial?

Donating with just the click of a mouse and the use of a credit card is the biggest benefit to this type of charitable giving. It also allows supporters to easily share fundraisers so they can inspire friends, family, and followers to donate to them as well. More than $6 billion has been raised globally through Facebook and Instagram for various causes—the reach is clearly wide. But, in terms of financial benefit to the giver, there is no significant difference between donating directly or donating via crowdfunding.

So, as fall approaches and you feel compelled to share your good fortune with those who are less fortunate, click the "donate" button to your heart's content. Just remember to vet the site and the cause—and feel free to check with your financial advisor—before you do.

These tools/hyperlinks are being provided as a courtesy and are *for informational purposes only. We make no representation as to the completeness or accuracy of information provided at these websites.*

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

Potential Expansion of IRA Charitable Gifting Opportunity

By Sarah Ruef-Lindquist, JD, CTFA
Originally published at Pen Bay Pilot

Since 2006, individuals age 70 ½ and older have been able to make direct charitable gifts from their IRA's. The Qualified Charitable Distribution ("QCD") provision was part of the Pension Protection Act of 2006, and has remained a smart charitable gifting option ever since. The dollar limit for any one or combination of multiple QCD’s has remained $100,000 per year per taxpayer age 70 ½ or older.

The QCD has not been eligible to fund what are known as “split-interest” gifts. These are charitable strategies that involve a gift to charity and a stream of payments to a non-charitable beneficiary. Charitable Gift Annuities involve a gift to charity in exchange for a promise by the charity to pay the donor and perhaps another person a fixed dollar amount annually for life. The amount payable for life is determined by the age(s) of the individual(s) to be paid and the dollar amount of the gift.

The QCD has also not been eligible to fund either a Charitable Remainder Unitrust or Charitable Remainder Annuity Trust. These trust arrangements involve the payment of either a percentage of the value of the trust annually (in the case of the Unitrust) or a fixed payment amount (in the case of the Annuity Trust) per year to a non-charitable beneficiary (usually the donor, or one or more family members), with the remainder being paid to one or more charities specified in the trust, after a term of years or upon the end of life of the non-charitable beneficiaries, again, as specified in the trust.

The Legacy IRA Act would permit a one-time QCD of up to $50,000 from an IRA to a charitable gift annuity (CGA), charitable remainder unitrust (CRUT) or charitable remainder annuity trust (CRAT). This can be an extremely tax efficient option for charitably inclined individuals to support charity and their own financial plans.

Practically speaking, funding a trust with $50,000 is not generally feasible. A donor could create a CRUT and make an additional tax-deductible gift with other assets, such as appreciated securities, and also make a $50,000 gift using a QCD. This would not be possible under current IRS regulations for a CRAT.

For the establishment of a CGA, however, this provision offers a great opportunity for charitably-inclined individuals and the charities they support. Generally speaking, the rate that would be paid to the individuals under a CGA are far above most market offerings. Here is a sampling of some of the recently published rates from the American Council on Gift Annuities (acga-web.org) that most charities follow in setting the rates they pay on CGA's":

Age	**Rates: Single Life**
70	5.3%
75	6%
80	7%
85	8.1%
90+	9%
Ages	**Joint Life**
70 and 73-75	4.9%
75 and 76-77	5.3%
80 and 82	6.1%
85 and 86	7%
90 and 91+	8.8%

These rates are significantly higher than those currently generated by many fixed-income investments like CD's, Treasuries or some bonds. Typically, a joint life annuity is created by two spouses, and the rates are slightly lower than those for single lives.

It also should be noted that using a QCD can reduce or eliminate entirely the Required Minimum Distribution for those age 72 and older, thus reducing the taxes ultimately paid that would otherwise be payable by the IRA owner taking the distribution.

For non-profit organizations, this could be a significant development if your organization offers charitable gift annuities as a strategy for gifts. For individuals age 70 ½ or older, if you want to learn more, contact your legal and tax advisors about using a QCD of up to $50,000 to fund a split-interest charitable gift.

Americans Demonstrate Unprecedented Generosity Through Philanthropy

By Sarah Ruef-Lindquist, JD, CTFA
Originally submitted to Penobscot Bay Pilot

In 2020, a record amount of more than $471 billion was given to charity according to Giving USA, a report produced by the Giving USA Foundation in collaboration with the Lily Family School of Philanthropy at Indiana University.

The issues raised in a global pandemic, challenges to a civil society and the rule of law, climate change and record stock market value levels are believed to have contributed to this record level of giving.

In the month of June, GivingUSA produces an annual report on the prior calendar year's giving. [The report on 2021] giving was recently published and reported a record amount of $484.85 Billion in giving to charity for 2021. The same issues may have been a factor, and the overall distribution of the source of those gifts remains fairly stable: 67% of those gifts were from individuals, 9% from bequests (deceased individuals), 19% from foundations, and 4% from corporate philanthropy.

Giving growing, donor advised funds gifts included. One of the interesting observations looking historically since before the Great Recession from 2006 through 2019 pointed to growth in all charitable giving of 52% and an increase of 330% in giving through donor-advised funds, which as of 2021 represented 6% of charitable giving overall. Donor advised funds are an alternative to creating a private foundation. Donors make a contribution to an organization like a community foundation or other sponsoring charity (think Fidelity Charitable), and then advise the organization as to the grants to charities they would like the fund to make. Their relative simplicity and lower administrative cost along with favorable tax treatment make them an attractive alternative to creating foundations.

Another observation about 2021 giving is the growth of 22.8% to environmental and animal protection organizations during the pandemic years. The only area seeing a decrease in giving in 2021 was education, which was down almost 3% over 2020 giving.

Bequest giving growth outpaces giving overall. Bequest gifts grew over 5 years by almost 6%, whereas overall giving growth was just over 4% during the same time period. This could represent a part of the unprecedented transfer of wealth from the boomer generation (those born between 1944 and 1964), recently estimated to be as much as $30 trillion.

Another Forbes article highlights positive giving trends through Fidelity's Charitable Gift Funds: "Last year (2021), Fidelity Charitable donors recommended $10.3 billion in grants to their favorite charities—which is 13% more than in 2020 and a 41% increase over pre-pandemic levels!"

This is all good news for charitable organizations, reflecting generosity and willingness to share wealth to support the work of non-profits in many areas of society. It also reminds fundraisers of how important it can be to pay attention to the methods of giving that are growing the fastest, like planned gifts through estates and tax-efficient, relatively simple donor-advised funds.

Will 2021 Turn Out to be Another Record-Breaking Year for Philanthropy in the U.S.? What About 2022?

By Sarah Ruef-Lindquist, JD, CTFA

We still have a few months to wait before GivingUSA releases its report on charitable giving for 2021. That usually happens in mid-June. Anecdotally, many organizations are reporting that despite the significant continuing challenges of the pandemic for their operations and fundraising efforts, 2021 was actually a great year.

After record-breaking 2020 charitable giving statistics were reported in 2021, Fidelity reported as of last fall what they were learning and expected about giving trends in 2021. They reported 9 out of 10 surveyed in the summer of 2021 indicated they planned to give as much or more than they had given to charity in 2020.

The report is based on a study conducted in July and August 2021 by Artemis Strategy Group, an independent research firm, on behalf of Fidelity Charitable. The study examined the effect of COVID-19 on giving behavior among 701 adults in the U.S. who donated at least $1,000 to charity in 2020.

You may recall, GivingUSA had reported a record **$471 billion** in 2020, representing a more than 5% increase over 2019 giving.

In November 2021, AFPGlobal.org reported that giving was on pace in the first half of 2021 compared to the same period in 2020. Through the work of the Fundraising Effectiveness Project, the report includes an increase in new donors as well as an increase in total gifts. "The estimated number of donors increased by 0.7% in the first half of 2021 compared to the same period in 2020, while the total amount of money given has risen by a projected 1.7%."

A growth trend in giving would seem to be continuing in 2022.

In an article dated February 15, 2022, the Chronicle of Philanthropy reported a 9% increase in giving for 2022 over 2021. This would represent the largest increase in giving since 2012. The report was produced by Blackbaud Institute, a division of Blackbaud, and surveyed roughly 9000 charitable organizations.

Did your organization have a good fundraising year in 2021? We hope so. And we hope 2022 is full of success, too. And to the extent you are having success raising funds for the long-term, through current gifts to endowment or deferred giving, we'd like to know and offer our services tailored to non-profits to support your board's fiduciary role stewarding those gifts. [Learn more at AllenIF.com.](https://AllenIF.com)

Sarah Ruef-Lindquist Discusses 'Pandemics and Planned Giving'

Pandemics and Planned Giving was the topic of a presentation made by Sarah Ruef-Lindquist, JD, CTFA at the Northern New England chapter of the Association of Fundraising Professionals annual conference, held Nov. 3 and Nov. 4.

Ruef-Lindquist, a financial advisor at Allen Insurance and Financial in Camden, said the COVID-19 pandemic drove people to focus on estate planning, while the confluence of historic stock and real estate values, potential estate and income tax changes and compelling societal need has laid the groundwork for many fruitful conversations with organizations' most loyal supporters.

Ruef-Lindquist explored these dynamics, which she said could impact gift planning for years to come. Attendees at the conference, held in Manchester, N.H., included approximately150 fundraising and non-profit professionals from across Maine, New Hampshire and Vermont.

Ruef-Lindquist has had a role in planned giving as an attorney, former trust officer and philanthropic advisor and consultant to non-profits across New England. She is outgoing president of the Maine Planned Giving Council and she previously served as vice president for Southern Maine at the Maine Community Foundation and CEO of the Maine Women's Fund.

The Certified Trust and Financial Advisor (CTFA) designation awarded by the Institute of Certified Bankers, American Bankers Association.

Last-Minute Charitable Giving Opportunities

December is the "giving season," when many people consider using their wealth to help others. Because of the urgent need for generosity presented by the COVID-19 pandemic, you may be looking for ways to stretch your charitable donations. As always, the use of tax-efficient giving strategies can help them go further.

This year, it's also important to be aware of the tax incentives for philanthropy included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The summary below explains how you can maximize these tax-efficient giving incentives during the final weeks of 2020. Two common vehicles for charitable planning—now and in the future—are also covered.**CARES Act Tax Incentives**
These incentives, which are set to expire on December 31, 2020, apply only to cash gifts to public charities made by individuals

or corporations. Regarding your 2020 tax return, here's what you need to know:

Are you taking the standard deduction? If you're not itemizing, you can take an "above-the-line" deduction of up to $300 for cash gifts to charities. The amount you claim will reduce your adjusted gross income (AGI). What about married couples filing jointly? As of this writing, your deduction also seems to be limited to $300, according to IRS draft instructions.

Are you itemizing deductions? Typically, annual charitable deductions are capped at a percentage of a taxpayer's AGI. For individuals, this cap has been set at 60 percent since 2017. Under the CARES Act, however, you may deduct up to 100 percent of your AGI for gifts of cash to a public charity in 2020. This rule excludes gifts to a donor-advised fund (DAF). For corporations, the AGI cap for cash gifts, previously set at 10 percent, has been raised to 25 percent for the year.

- For both individuals and corporations, any unused deduction under this cap may be carried forward for five years, which can lead to the planning opportunities discussed below. The cap for gifts of appreciated assets has not changed.

Planning Opportunities

If you wish to fund large charitable gifts this year, the 100 percent AGI cap offers huge advantages. Here are several ways this incentive could help you manage high-income events:

- **Stock options and lump-sum payouts.** If you've exercised nonqualified stock options from your employer out of concern for market volatility or received a large lump-sum severance package as a result of a layoff, charitable gifts can help offset the tax burden.

- **Roth conversions.** If you'd like to make a large Roth conversion this year, you could also make a large charitable gift to offset the tax liability of the conversion. This strategy is especially beneficial because traditional IRAs have become a less attractive way to leave money to heirs since the 2019 passage of the SECURE Act, which requires most IRA beneficiaries to empty their inherited IRA within 10 years.
- **Business sale.** Let's say you have an expected AGI of $1 million this year due to a business sale. You could make a charitable contribution that would completely offset the year's income.
- **Combining gifts.** Although the CARES Act incentive applies only to cash gifts, the IRS does permit taxpayers to combine different types of gifts. For instance, you could maximize your 30 percent AGI cap for gifts of appreciated assets. The 100 percent AGI cap would be reduced by that amount, but you would still be able to deduct another 70 percent of your AGI by making cash gifts.

Qualified Charitable Distributions (QCDs)

A QCD is a direct transfer of funds from an IRA, payable to a qualified charity. Although the CARES Act allows IRA owners to skip required minimum distributions (RMDs) in 2020, the rules for QCDs have not changed. If you own an IRA (including an inherited IRA) and are 70½ or older, you can make tax-free distributions of up to $100,000 payable to public charities (excluding DAFs).

Here are some ways a QCD could help control your income:

- If you decide to take an RMD this year (or must do so in the future), a QCD could be used to satisfy the distribution. This strategy would remove the tax burden associated with taking the distribution as ordinary income.

- A QCD is not reportable as part of your AGI, which limits its impact on the taxation of social security benefits.
- In future years, a QCD could also limit the impact of income on Medicare premiums, which are based on your AGI from two years prior.

Charitable Remainder Trusts (CRTs)

A CRT can help you (or your beneficiary) spread the tax liability on the sale of appreciated assets over many years. This may result in paying a lower overall effective tax rate. Let’s look at how this works:

- A CRT pays an income stream to a noncharitable beneficiary (or beneficiaries) for a term of years or for life. At the end of the income term, the remaining assets in the trust are distributed to a charity.
- When you move assets into a CRT, you receive a charitable contribution deduction based on the present value of the remainder interest set to pass to the charity at the end of the income distribution term.
- If you contribute appreciated assets (e.g., investment assets, closely held business interests, real estate, or collectibles), those assets can be sold without creating a tax liability to the trust itself.

As you can see, the primary benefit of a CRT is that the trust is exempt from taxes. But that does not mean taxes are entirely avoided for beneficiaries. In fact, the distributions to the income beneficiaries are taxable based on four buckets of income: ordinary income, capital gains, tax-free income, and return of principal. Each year, when the CRT makes its income distribution, it first pulls the funds available from accumulated ordinary income, such as interest and dividends, before distributing other types of income. The beneficiaries would be subject to the taxation rules in place for these types of income.

Need Additional Information?

If you're interested in exploring these options, please contact me. We'll talk through how these giving strategies can help you meet today's urgent need for generosity—and further your visions for doing good.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

Which Charitable Giving Strategy is the Best Fit for You?

For many, the holidays are a time for giving back—whether by donating to a favorite charity or helping out a family member. Before you make a donation or gift, however, it's important to choose the right strategy, paying close attention to potential tax and legal implications.

Charitable Giving

If there's a charitable organization you'd like to donate to, be sure to take the time to consider the charitable giving vehicle you’ll use to make your gift. Let’s look briefly at some of the options.

Outright gifts. Outright gifts of cash or property provide charities with immediate resources. Be sure to keep your receipts or bank records to validate any income tax deductions you wish to claim. Keep in mind that you may need a professional appraisal to qualify for a tax deduction on certain noncash contributions.

Donor-advised funds. A donor-advised fund is a charitable giving vehicle managed by a public charity for the purpose of distributing funds to other charities. When you contribute to a donor-advised fund, you can advise the charity on the grants it makes, as well as take advantage of possible tax deductions. Be aware, however, that there may be a minimum donation amount, and administrative fees may cut into the funds available for grants.

Charitable remainder trusts. With this type of trust, the donor receives income from the trust for his or her lifetime, the lifetime of another person, or a period of up to 20 years. At the end of the specified term, the remaining trust assets are distributed to a charitable beneficiary. The greatest benefit of a charitable remainder trust is that you can take advantage of immediate tax benefits while continuing to utilize the assets, as you may deduct the present value of the charitable remainder interest. On the downside, charitable trusts tend to be complex to set up and usually require legal and administrative support.

Charitable gift annuities. A charitable gift annuity is a split-interest gift made directly to a charity that provides you, your spouse, or a family member with fixed income payments for life. The charity typically ends up with about half of your donation, while you get an immediate tax deduction and some guaranteed income. Keep in mind that an annuity is a contract between you and the charity, and your return isn’t guaranteed by the government.

Private foundations. A private foundation is a charity established by an individual, family, or corporation. Although it offers donors a great deal of control over their gifts, a private foundation can be costly to administer, and it must adhere to a strict set of rules designed to ensure that it carries out its charitable purpose.

Bequests. If you wish to give to charity posthumously, you may make bequests by way of your will, trust provisions, or beneficiary designations. Although bequests offer simplicity and are easy to set up, they are not income tax deductible during your life.

Gifting to Family Members

Giving back doesn’t always mean giving to charity. Gifting to family members can be just as rewarding, and it can be an effective way to transfer wealth while reducing or avoiding taxes. Here are several common strategies for gifting to family members:

- **Making an outright cash gift.** For tax year 2019, you may gift up to $15,000 to any individual without tax consequences. (This amount increases to $30,000 for married couples). This limit will remain the same for tax year 2020. If you’re sharing gifts with your spouse, or you’d like to gift more than this amount to one person, you’ll need to file a gift tax return using IRS Form 709.
- **Paying college tuition or medical bills directly.** If you’d like to pay a family member’s expenses directly to a school or health care provider, the $15,000 limit does not apply. Plus, you’re still free to give the individual a separate tax-free gift of up to $15,000.

- **Contributing to a 529 plan.** With this strategy, you can contribute to a relative's qualified education expenses while paring down your own estate. Contributions to 529 plans grow tax deferred, and withdrawals for the beneficiary's education are tax free at the federal level (and usually at the state level, too). Additionally, 529 plans are eligible for a special exemption that allows you to gift up to five years' worth of annual exclusion contributions (i.e., up to five times $15,000, or $75,000, per person per year) without using any estate and gift tax exemption. You will need to file IRS Form 709 to document the transaction.

With all the options available, choosing the best way to give to charity or family members can seem overwhelming. Don't hesitate to reach out to your financial advisor to discuss various strategies and select an option that makes sense for you, your family, and your financial situation.

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What Will 2018 Charitable

Giving Look Like?

By Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA

In June 2018, the Chronicle of Philanthropy, in an article by Megan O'Neil, predicted a $16.3 billion drop in charitable giving due to the tax laws enacted in late 2017. That prediction was echoed throughout the news media, sending chills down the spines of executive and development directors in the non-profit sector.

Nine out of 10 wealthy households gave to charity in 2017, according to the 2018 Study of US High Net Worth Philanthropy conducted in partnership with the Indiana University Lilly Family School of Philanthropy by US Trust/Bank of America Private Wealth Management, released October 24, 2018. (link for reference, new window) The average amount given to charity by these households was slightly more than $29,000, an increase of 15% over 2015.

The biennial report is in its seventh edition since the series began in 2006.

There has been much concern expressed about the impact on philanthropy of the 2017 tax law changes, specifically a predicted negative impact on charitable donations because of the increase in the standard deduction to $12,000 per person and reduced reliance on itemized deductions.

However, as we've opined previously about the degree to which tax benefits drive charitable give, the fear among this demographic cohort is likely unfounded. The vast majority of wealthy households expect to maintain (84 percent) or increase (4 percent) the amount they give to charity in 2018 under the new federal tax law passed late in 2017.

Receiving tax benefits is generally not a prime motivation for giving. Just 17% of those surveyed said this was always a motivation, and 51% indicated it sometimes did…which means for 49% it doesn't and for the 51 % who indicated it did sometimes, that would imply that for 51% it doesn't always.

The important take-away here is that for high net worth individuals, those often making the largest charitable gifts, charitable intent motivates their giving more than any tax benefit, which is good news in an era of decreasing tax benefit.

What we've discussed above is charitable support to operating or annual budgets of organizations that would often appear on an itemized income tax return of the donor. These gifts are often given from income, as contrasted with gifts from wealth, which are often deemed "planned gifts" through estates.

Indeed, even the elimination of estate taxes would cause only 5% of HNW individuals to reduce their planned giving according to the US Trust Study of the Philanthropic Conversation, examining the perspective that advisors have compared to their HNW clients on charitable giving. (link for reference, PDF, new window)

This study, released earlier in 2018 done in conjunction with The Philanthropic Initiative, also found that just 42% of high net worth individuals would reduce their charitable giving if income tax benefit was removed.

The sampling for the study was of approximately 1,600 households with net income of over $200,000 and/or assets of $1M or more, not including principal residence.

So perhaps this is some "good news" that organizations from which to gain hope for our society, as philanthropy continues to address some of the critical issues of our time through the work of the non-profit sector.

As always, consult your financial and tax advisors before making any significant gifts or changes to your financial plans to be sure they fit within your overall, long-term financial and estate planning goals.