

Tax Tips From CFC Board Member, Don Schindel

CFC is currently conducting a major campaign to raise \$10.5 million to rebuild the Karger Center into a much-needed state of the art facility to house four agencies that serve pre-school children and their families and an 80-year old family service agency. In addition to tax deductible cash donations, you can also make tax deductible donations of appreciated stocks and avoid capital gains on them.

Looking to the future, CFC will also need an endowment fund to pay the annual costs of maintaining the facility. This is why CFC is also starting a planned giving program to encourage Donors to make bequests in their wills and name CFC as a beneficiary of their revocable trusts and insurance policies. If you have a family foundation or donor advised fund, think of CFC when you are considering annual charitable gifts.

There are many other more sophisticated lifetime planned giving techniques that you can take up with your estate planning attorney and other tax advisors; for example, a charitable remainder trust. A charitable remainder trust is a tax-exempt trust that you fund with cash or certain other assets, such as appreciated stocks. Each year during the term that you select, the trust pays a fixed sum of money or a percentage of its assets to you, your children or any other persons that you specify in the trust agreement, and on termination can pay its remaining assets to CFC. You can get a significant tax deduction up front and receive many other tax benefits.

A charitable lead trust is the mirror image of a charitable remainder trust and pays the charity the annual amount or percentage, and then on termination distributes its assets to your children or other people you name, with similar tax benefits. There are not only many tax pitfalls and traps, but also many variations that might benefit you, depending on your particular situation. Therefore, charitable remainder and lead trusts are not do-it-yourself projects; they are jobs for tax professionals.

There is one more opportunity to point out at this time. A recent tax bill permits Donors who have an Individual Retirement Account (IRA) and are at least 70½ years of age to make gifts from their IRA directly to charities during 2011. Such gifts count as part of their required minimum distribution from the IRA and are tax-free. The maximum amount that qualifies for this tax benefit is \$100,000, but there is no minimum. There are other nuances, so this is one more thing to take up with your tax advisor.