

Getting the Most Out of Your Charitable Gift

~ Jeffrey T. Troiano

**There's more to making a charitable gift than writing a check.
Do your research and plan ahead to make sure your gift has a big impact.**

You have decided to contribute some of your hard-earned money to a charitable organization where it can do some good. You have looked around and selected a charity that you feel passionate about. Now you are ready to make a sizable gift that will help the organization in carrying out its important mission, but have you done enough due diligence and prepared adequately?

Doing Your Research: A Step-by-Step Guide

Making a charitable contribution should be an easy thing to do. Generally, it is. However, it is wise to invest time up front doing some detective work to ensure your contribution will be used by the charity in the way you expect. Up-front planning will also help to maximize the benefits to you and your family.

So, what steps should you take before making a charitable gift? First, you should understand the organization's mission and purpose to ensure that they align with your personal views and reasons for donating. One of the best ways to familiarize yourself with an organization is to visit it in person. This will give you a glimpse into how the charity operates and how the employees interact with the public and with each other. Moreover, it will provide an opportunity to ask direct questions about how the organization functions. Sometimes there is no substitute for seeing something with your own eyes.

In addition to the site visit, it is wise to conduct some independent research regarding the organization. You can do this by using a variety of online resources. The first and most important question you want to answer is whether the organization has qualified as a tax-exempt organization with the IRS. This is crucial to ensure that your charitable gift will qualify for an income tax deduction. The IRS website (www.irs.gov) provides a comprehensive search tool called "Exempt Organizations Select Check," where you can find information about an organization's federal tax filings and can confirm its exempt status.

You can also conduct research about a prospective charitable recipient at www.GuideStar.org and www.CharityNavigator.org. These sites offer free search tools, with information about IRS-registered organizations. They also provide resources to help you choose among different organizations when making a charitable gift. You can use these online tools to look up an organization and get ratings related to the organization's transparency, financials, and accountability. You can also learn about the organization's mission statement, impact reports, and whether the organization audits its financial statements.

The Sarasota community also offers helpful resources for prospective donors, including an online research tool called “The Giving Partner” (www.TheGivingPartner.org). This website provides a wealth of in-depth information about more than 700 charitable organizations serving Charlotte, DeSoto, Manatee, and Sarasota counties. The Giving Partner is a collaborative effort by community organizations, including the Community Foundation of Sarasota County, the Gulf Coast Community Foundation, the Patterson Foundation, and the Manatee Community Foundation. If you haven’t yet narrowed down your pool of prospective charitable recipients, you may also want to contact one of the local community foundations directly to ask about the specific philanthropic needs of the Sarasota community and to get further assistance in selecting a worthy organization.

When it comes to researching charitable organizations, there is ample information available if you know where to look. Just as you would spend time researching the purchase of a car or a home, it is wise to spend time “kicking the tires” on your potential charitable organization.

Structuring Your Charitable Gifts

Making an Immediate Contribution. Once you have selected the recipient organization(s), the next step is to decide how you would like to structure your gift. Different structures can provide different benefits for both you and the charity. First, you must consider whether you want to provide funds to the charity now or at some point in the future. If you want to provide the funds immediately, then your gift can be effected by simply writing a check to the charity.

Another option you should consider if you want to make a current gift is to do a charitable IRA rollover. This technique allows you to transfer funds from an IRA to a charitable organization without recognizing any income or paying taxes on the IRA withdrawal. This option is only available to persons who are age 70 ½ or older and is limited to \$100,000 per year.

A more complicated technique for making a current gift involves utilizing a charitable lead trust. In this arrangement, you make a gift into the trust, and the trust then makes contributions to the charity over a designated period. At the end of this period, the remaining trust funds revert to a non-charitable beneficiary whom you designate.

Postponing Your Gift. If you want to postpone your gift to the charitable organization(s) of your choice until a later date, there are various methods available to you. The simplest option is to include a gift to the charitable organization in your will or in your revocable trust. However, if you have tax-deferred retirement funds (such as an IRA), then it is generally more tax-efficient to use these assets to satisfy your charitable bequest rather than include a devise in your testamentary documents. This is because tax-deferred retirement funds are generally taxable to the designated beneficiaries following the death of the account holder. However, since qualifying charitable organizations are not subject to income tax, you can eliminate some of this tax liability by leaving all or a portion of your IRA to a charitable organization. The devises that are typically tax-free to the beneficiary (such as distributions under a will or a trust) should be reserved for your non-charitable beneficiaries. This planning opportunity is a great example of how proper gift planning can have a tremendous financial impact on both the charity and on your family.

There are two other gifting techniques that can provide funds to the charitable organization at some future date. The first involves the use of a charitable remainder trust that you can establish. Under this structure, the trust makes payments to a non-charitable beneficiary (such as you, your spouse, or another family member) over a period of time. At the end of this period, the remaining funds pass to the charitable organization. An alternative technique involves the use of a charitable gift annuity where this option is offered by the charitable organization. Instead of utilizing a trust to hold the funds, you can use this gifting technique to give funds directly to the charitable organization. The charity then makes payments back to you for the remainder of your lifetime. At the time of your death, the assets remain with the charitable organization. The main benefit of using a charitable remainder trust or a charitable gift annuity is that you are entitled to claim a current income tax deduction even though the funds do not pass to the charitable organization until some time in the future. If you are considering a charitable gift annuity, then it is even more important that you engage in the diligence items discussed in the first half of this article. You need assurance that the charity is in a comfortable financial position and that it will be able to make the expected payments for the remainder of your lifetime.

Depending on the form of your gift, you should consider signing a pledge agreement with the organization, setting forth your incentives for making the donation and asking the organization to use the funds responsibly. The pledge agreement must be carefully drafted in order to ensure that you do not jeopardize your income tax deduction, especially if you plan to impose restrictions on how the money will be used.

Conclusion

Your gift to a charitable organization has the potential to make an important and meaningful difference in your community. It is up to you to ensure that you perform the research and diligence to ensure that your generous donation ends up in the hands of a responsible and effective charity and that both you and the charity enjoy the maximum benefits of your gift. It is smart and savvy donors like you who help make Sarasota such a vibrant and philanthropic community.



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