

Charitable Gift Planning from the Unique Perspective of Allied Professionals: Opportunities Abound for Both Clients & Advisory Relationships

Presented for:

Brevard County Estate Planning Council



November 12, 2024

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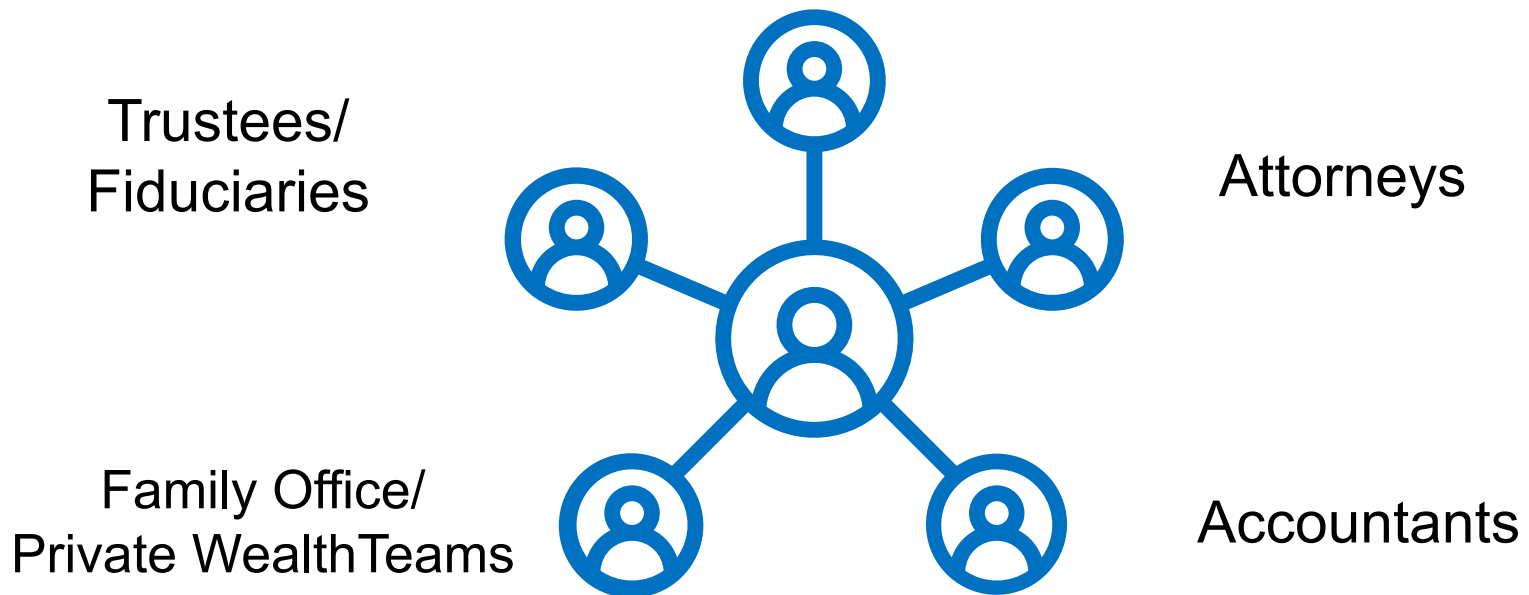
For over 24 years, Brad Gornto has practiced law throughout Florida in the areas of complex estate planning, charitable planning, taxation business law, probate, and trust administration. In addition to his law practice, Brad is the President and Founder of Effectual Giving, LLC, which is a national consulting firm that assists large charitable organizations, philanthropic families, and allied professionals across the country in the design, consummation and funding of actual charitable planned gifts.

Brad earned his undergraduate degree (marketing) from Florida State University, his law degree from the University of Florida College of Law, and his Masters in Taxation (LL.M.) from the University Of Miami School Of Law.

Brad currently serves on: (i) the Board of Directors of the National Association of Charitable Gift Planners and Chair of Government Relations Committee; (iii) The Florida State University Foundation, Inc. Planned Giving Advisory Council. Brad was a 2020 recipient of the University of Florida Foundation's "Gary Gerson Award for Advisor Excellence." Brad is a past President of the Estate Planning Council of the Fun Coast, Inc., and a past President of the Charitable Gift Planners of Central Florida, as well as a past Board Member of the Down Syndrome Association of Central Florida. Brad is actively involved in his local church, Gracelife Beachside Church. Brad and his wife of 22 years, Cindy, are raising their 4 children, Bryce, Owen, Joel & Daisy Grace.

Allied Professionals? Who are They?

Financial Planners



Trustees/
Fiduciaries

Attorneys

Family Office/
Private Wealth Teams

Accountants

Charitable Gift Planning is . . .



It is an Ecosystem

Charitable Gift Planning Ecosystem's KEY FORCES



- Spouse & Family of Donor
- Tax/Regulatory Forces
- Economy/Business Uncertainty
- ALLIED PROFESSIONALS
- Legislative Changes
- Life Changes
- Charity's Actions/Stewardship (or lack thereof)

THE ALLIED PROFESSIONALS



Gift Planning Professionals....
you must understand how allied
professionals function and
your value proposition to them!

Charitable Planning from the Unique Perspective of Allied Professionals

Presented for:

CGP COUNCIL OF CENTRAL FLORIDA
ORANGE COUNTY BAR ASSOCIATION
FLORIDA BANKERS – TRUST SCHOOL
PHOENIX CHILDREN'S FOUNDATION SUMMIT
ESTATE PLANNING COUNCIL OF FUN COAST

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Estate Planning – Key Priorities

- Who are my beneficiaries?
- How will they receive assets? Outright vs. in trust
- Who will be in charge of my estate and/or trust?
- Guardian for minor children?
- How much is too much?
- Estate tax and income taxes at death, planning considerations?
- Liquidity needs
- Special needs beneficiary planning
- Management of properties and/or businesses

- What about *charitable planning*?
 - Is it typically near the bottom or top of the list?
 - *Do we even bring it up?* *Why not?*

Keys Ideas

for Charitable Planning

- Clarity Regarding “Charity”
- Opportunity to Differentiate from Others
- TIMING is Such an Important Factor
 - For client’s objectives (tapping into the WHY?)
 - For tax savings
 - For recipient charity(ies) – managing expectations
 - For selecting the best Planning Tool!
- Gateway to tap into client’s interests, key values, and “legacy” genes

RECENT TRENDS in Charitable Giving

- **THE INCREDIBLE GROWTH OF DONOR ADVISED FUNDS (DAFs)**

- 2022: TOTAL # of DAFs in the United States: 1,771,844
- Charitable Assets in DAFs: \$228.89 Billion
- Assets Contributed/Gifted to DAFs: \$85.5 Billion
- Assets Granted from DAFs to Charities: \$52.2 Billion

- **INCREASED POPULARITY OF “QUALIFIED CHARITABLE DISTRIBUTIONS” (QCDs) from IRAs**

- ***TREMENDOUS PLANNING OPPORTUNITIES EXIST AS WE APPROACH JANUARY 1, 2026 SUNSET***

- Estate Tax Exemption \$13.99M will decrease to \$7M+-
- Charitable Planning More Relevant to Save Estate Taxes
- T-CRUTs Used to Achieve “Stretch IRA” for Client’s Children

Timing is Everything with Charitable Giving

- Smart “Immediate” Charitable Giving
 - QCDs (aka the “IRA Checkbook”) – for clients over 70 ½ with IRAs)
 - Appreciated Securities & Real Estate – Instead of Cash (to avoid capital gains tax)
- Smart “Annual Recurring” Charitable Giving
 - Charitable Lead Trusts (CLTs)
 - Donor Advised Funds (DAFs)
- Smart “Deferred” or “at Death” Charitable Giving
 - Name charity as IRA Beneficiary Instead of a Beneficiary of Will
 - Charitable Remainder Trusts (CRTs), Charitable Gift Annuities (CGAs), “Young” Pooled Income Funds (Young PIF)

IMMEDIATE CHARITABLE GIVING

- Qualified Charitable Distributions (QCDs) -

If you are older than 70 1/2 then you can make gifts directly from your IRA to your favorite charities!

Qualified Charitable Contributions QCDs:

- QCDs satisfy annual (RMD) requirements (starting at 73)
- Avoids taxes on RMDs from IRAs – no charitable deduction
- For those who don't itemize, it's one of the few ways to make ta
- **Advisors...** (1) know your IRA custodian's QCD priorities and flexibility, (2) be ready for questions from your clients, and (3) *know that a savvy/client friendly QCD IRA Custodian is a compelling reason for charitable-minded clients to move their IRA assets to your firm!*

ESSENTIAL FACTS for QCDs

- Must be at least 70 1/2 years old when the QCD gift is made.
- Total QCDs cannot exceed \$100,000 per year/per spouse
- QCDs offset Required Minimum Distribution (RMDs), but will NOT be treated as taxable income.

IMPORTANT...you also will remain in a lower tax bracket (also helps with various benefits and entitlements - Medicare, SS, VA etc.)

- Must be made directly from an IRA custodian to Charity (not allowed to be made to “donor advised funds”)
- NOT available for 401k, 403b plans. However, you can convert your plan to an IRA and then start making QCDs

IMMEDIATE CHARITABLE GIVING

Donate Appreciated Assets Instead of Cash -

Gifts of Appreciated Assets (LTCG) include: Publicly traded securities (stocks, bonds, and mutual funds), real property, LLC/business interests

- Client receives FMV charitable deduction AND avoids capital gains taxes altogether on future sale by charity
- IRS CONCERN: “Pre-Arranged Sale Doctrine” & Assignment of Income....
 - 2023 Tax Court Decision (Closely-Held Entity Interests):
 - *Hoenshield v. Commissioner, T.C. Memo 2023-34*
-sale was already a “Practical Certainty” on date of gift (be careful of your emails about the gift transaction!)

ANNUAL CHARITABLE GIVING - Donor Advised Funds -

What is a **donor advised fund**? (simple working definition):

- A donor advised fund (DAF) is a separate fund established by a client/donor with a 501(c)(3) sponsor (can't be a private foundation) to which clients make contributions, and provide non-binding recommendations for grant distributions to public charities, and/or investment options for the DAF assets

IRS Definition for a “donor advised fund”?

IRC Sec. 4966(d)(2)

- A donor advised fund is a fund or account: (1) that is separately identified by reference to contributions of a donor or donors; (2) that is owned and controlled by a “**sponsoring organization**”; and (3) with respect to which a donor or donor's designee has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in the fund by reason of the donor's status as a donor.
- A “**sponsoring organization**” is a charitable organization that is not a private foundation and that maintains one or more donor advised funds

DAF Benefits to the CLIENT

- Get a tax deduction now but make grants to charities later, avoid capital gains tax
- Simplicity & Reduced Costs to Become a Philanthropist
- Anonymity (privacy for grants & no IRS Form 990s)
- Giving on Client's TIMEFRAME (not calendar year)
- DONOR EMPOWERMENT, CONVENIENCE & RESEARCH
- PRIVATE FOUNDATION CONVERSIONS
 - Reasons: PF now unnecessary, dysfunctional, hemorrhaging
- Use of DAF for Business/Charity Leveraging
- “Wizard of Oz” Family Charitable Foundation

DAF Benefits to the Attorney/Advisors

- OPPORTUNITY to DIFFERENTIATE & Get Foot in the Charitable Planning Specialty
- Deepen Relationships with Clients, Community Foundations, and Charities in Your Area
- DAFs are very attractive to the IDEAL 'ESTATE PLANNING CLIENT' DEMOGRAPHIC
- Multi-Generational Family Involvement
- Successor Advisors on DAF = Future Clients
- Makes Other Charitable Tools (CLTs, CRTs, Bequests, Etc.) More Flexible and Beneficial to the Family (like a BETTER ENGINE IN A CAR)

ANNUAL CHARITABLE GIVING -Charitable Lead Trusts (CLTs)-

Quick Definition:

A CLT is an irrevocable trust from which the trustee makes annual distributions to one or more charities for a specified number of years, and then at the end of the term either...

- ***(i) distributes the trust assets to or for the benefit of donor/client's family members (MORE COMPLEX TYPE);***

OR

- ***(ii) distributes the trust assets back to the donor/client (SIMPLER TYPE).***



Traditional CLTs vs iCLAT

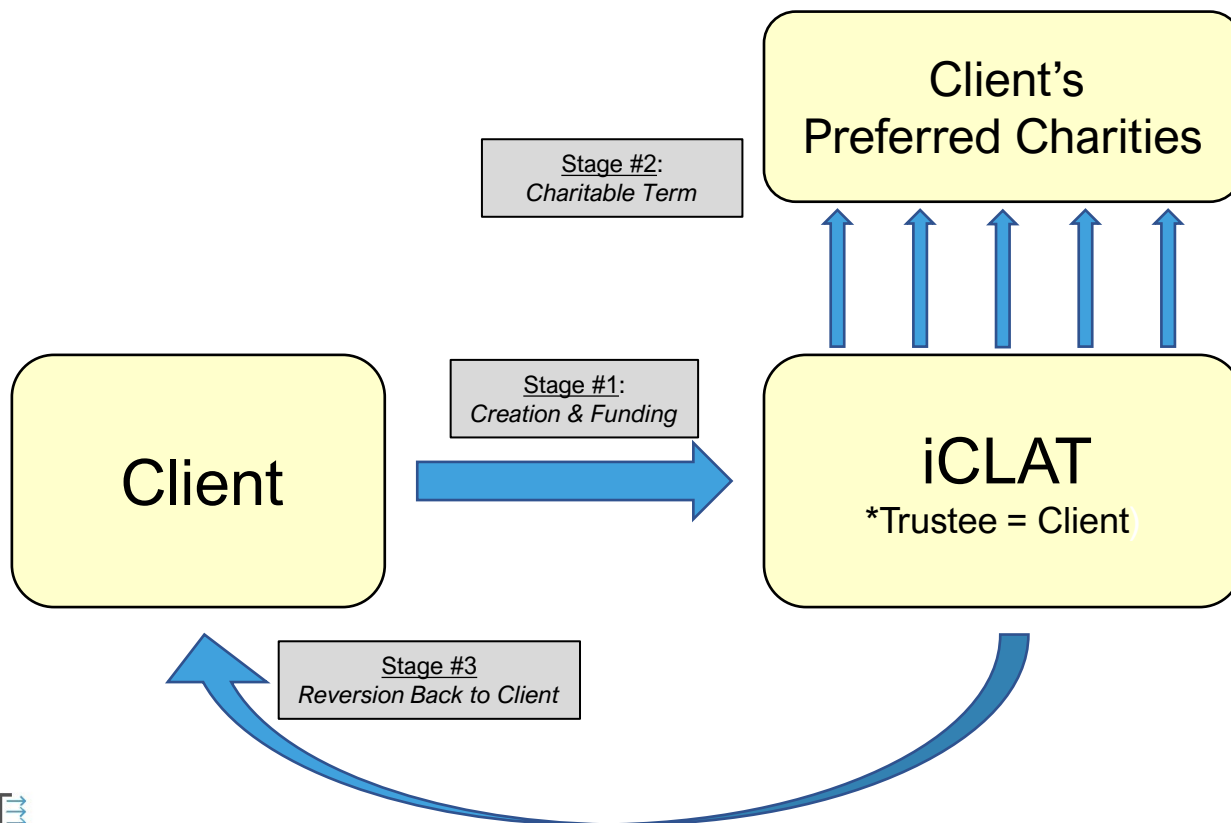




What is it?

- An irrevocable trust that makes annual distributions to one or more charities for a specified number of years, and **then distributes the trust assets back to the grantor/client in a non-taxable transaction.**
- Technical Name: a **“reversionary”** charitable lead annuity trust that is treated as a **“grantor trust”** for income tax purposes.
 - IRC 170(f)(2)(B) & Treas. Reg. 1.170A-6(a)(1) & (c)(2)

Basic Structure of an iCLAT: 3 Stages





How does it save taxes?

- **“PRESENT VALUE”** is the key
- iCLATs generate a very large “IMMEDIATE” YEAR 1 charitable tax deduction for your clients – based on the present value of the annual distributions to charity!
- The lower the discount interest rate, the greater the “present value” & immediate charitable deduction
- 4.4% IRS discount rate (§7520) is available to end of February 2025

CLT Client Case - Peter

- **Facts:** Peter regularly gives \$40,000 annually to his favorite charities and he anticipates continuing this level of annual giving for at least the next 12 years. Based on the advice of his financial planner and CPA, Peter decided to convert his \$1M traditional IRA to a ROTH IRA earlier this year. Peter graduated from **Florida Tech**, worked as aerospace engineer with Lockheed Martin for most of his career, and is now a resident of North Carolina, but still has a Merritt Island vacation home. Peter already has a donor advised fund with Community Foundation of Brevard.

iCLAT Illustration - Actual Client Case Study



Year	Beginning Principal	Assumed Net Income Rate	Assumed Net Income Amount	Assumed Growth Rate	Assumed Growth Amount	Annual Charitable Distributions to Peter's DAF (CF of B) & Florida Tech	Year-End Principal
1	\$ 600,000	3.0%	\$ 18,000	2.0%	\$ 12,000	\$ 40,000	\$ 590,000
2	\$ 590,000	3.0%	\$ 17,700	2.0%	\$ 11,800	\$ 40,000	\$ 579,500
3	\$ 579,500	3.0%	\$ 17,385	2.0%	\$ 11,590	\$ 40,000	\$ 568,475
4	\$ 568,475	3.0%	\$ 17,054	2.0%	\$ 11,370	\$ 40,000	\$ 556,899
5	\$ 556,899	3.0%	\$ 16,707	2.0%	\$ 11,138	\$ 40,000	\$ 544,744
6	\$ 544,744	3.0%	\$ 16,342	2.0%	\$ 10,895	\$ 40,000	\$ 531,981
7	\$ 531,981	3.0%	\$ 15,959	2.0%	\$ 10,640	\$ 40,000	\$ 518,580
8	\$ 518,580	3.0%	\$ 15,557	2.0%	\$ 10,372	\$ 40,000	\$ 504,509
9	\$ 504,509	3.0%	\$ 15,135	2.0%	\$ 10,090	\$ 40,000	\$ 489,734
10	\$ 489,734	3.0%	\$ 14,692	2.0%	\$ 9,795	\$ 40,000	\$ 474,221
11	\$ 474,221	3.0%	\$ 14,227	2.0%	\$ 9,484	\$ 40,000	\$ 457,932
12	\$ 457,932	3.0%	\$ 13,738	2.0%	\$ 9,159	\$ 40,000	\$ 440,829
TOTALS			\$ 192,497		\$ 128,331	\$ 480,000	\$ 440,829

IMMEDIATE CHARITABLE DEDUCTION	\$ 366,838
Federal Income Tax Savings <i>U.S. Rate: 37%</i>	\$ 135,730
State Income Tax Savings <i>North Carolina Rate: 4.50%</i>	\$ 16,508
TOTAL IMMEDIATE INCOME TAX SAVINGS*	\$ 152,238
<i>*To receive ALL income tax savings on 2024 tax return, "AGI" needs to be at least: \$1,222,793</i>	
VALUE of iCLAT Assets Back to Peter After 12 Years (estimated)	\$ 440,829
Total Charitable Distributions to Florida Tech & Peter's DAF (CF of B)	\$ 480,000

*Charitable Deduction Based on IRS §7520 Rate of 4.4% (November 2024)

*For Illustration Purposes Only

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iCLAT Illustration - Actual Client Case Study



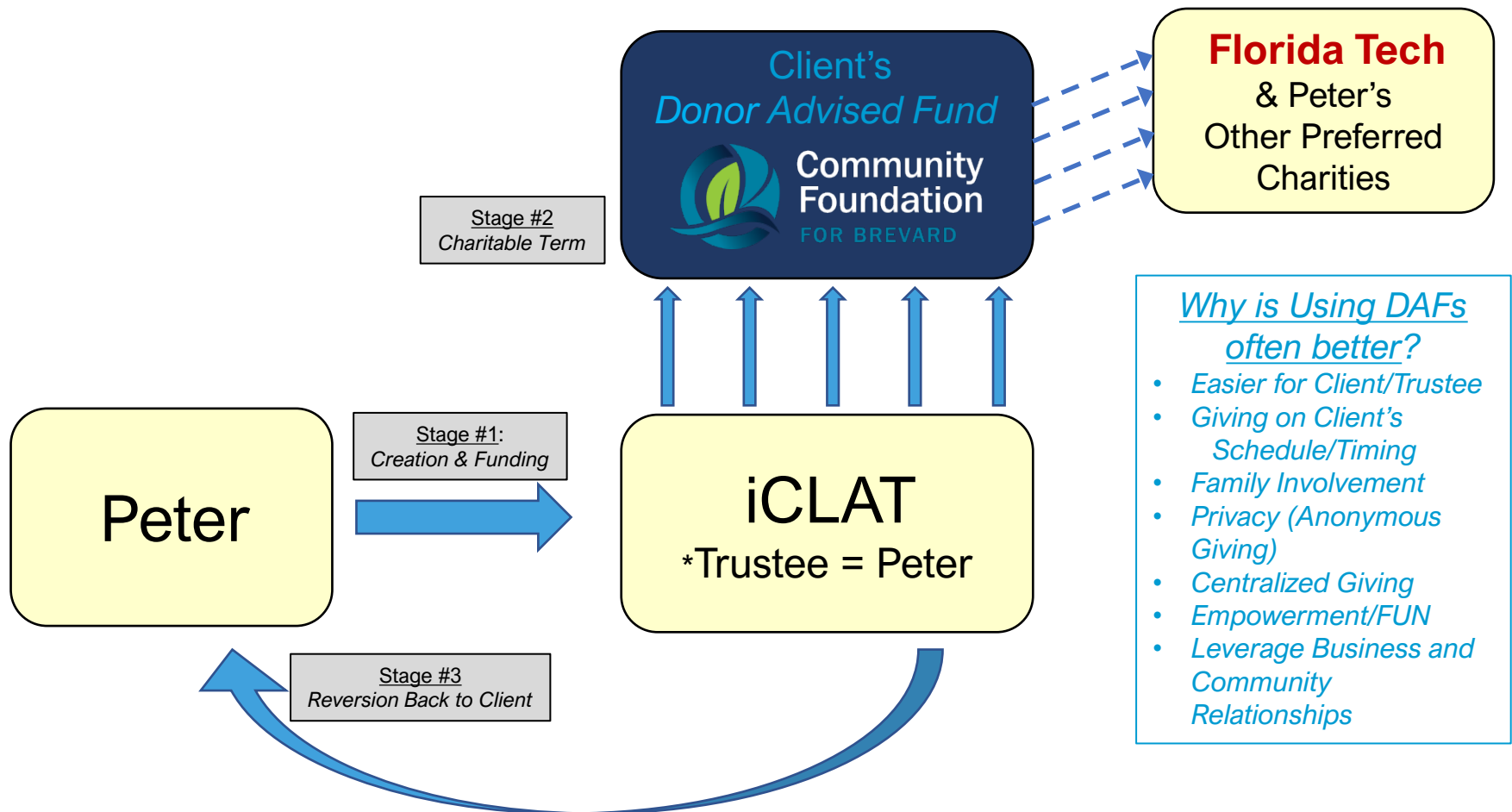
Year	Beginning Principal	Assumed Net Income Rate	Assumed Net Income Amount	Assumed Growth Rate	Assumed Growth Amount	Annual Charitable Distributions to Peter's DAF (CF of B) & Florida Tech	Year-End Principal
1	\$ 600,000	6.0%	\$ 36,000	2.0%	\$ 12,000	\$ 40,000	\$ 608,000
2	\$ 608,000	5.0%	\$ 30,400	4.0%	\$ 24,320	\$ 40,000	\$ 622,720
3	\$ 622,720	2.0%	\$ 12,454	2.0%	\$ 12,454	\$ 40,000	\$ 607,629
4	\$ 607,629	4.0%	\$ 24,305	2.0%	\$ 12,153	\$ 40,000	\$ 604,087
5	\$ 604,087	3.0%	\$ 18,123	-1.0%	\$ (6,041)	\$ 40,000	\$ 576,168
6	\$ 576,168	1.0%	\$ 5,762	8.0%	\$ 46,093	\$ 40,000	\$ 588,023
7	\$ 588,023	4.0%	\$ 23,521	-3.0%	\$ (17,641)	\$ 40,000	\$ 553,904
8	\$ 553,904	4.0%	\$ 22,156	11.0%	\$ 60,929	\$ 40,000	\$ 596,989
9	\$ 596,989	8.0%	\$ 47,759	-2.0%	\$ (11,940)	\$ 40,000	\$ 592,809
10	\$ 592,809	6.0%	\$ 35,569	4.0%	\$ 23,712	\$ 40,000	\$ 612,089
11	\$ 612,089	3.0%	\$ 18,363	7.0%	\$ 42,846	\$ 40,000	\$ 633,298
12	\$ 633,298	4.0%	\$ 25,332	2.0%	\$ 12,666	\$ 40,000	\$ 631,296
TOTALS			\$ 299,743		\$ 211,553	\$ 480,000	\$ 631,296

IMMEDIATE CHARITABLE DEDUCTION	\$	366,838
Federal Income Tax Savings	U.S. Rate: 37%	\$ 135,730
State Income Tax Savings	North Carolina Rate: 4.50%	\$ 16,508
TOTAL IMMEDIATE INCOME TAX SAVINGS*	\$	152,238
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<u>Factor or Issue</u>	<u>Donor Advised Fund</u>	<u>Private Foundation</u>
Start-Up Fees and Complexity	Minimal paperwork and usually can be set up an initial gift of less than \$2,500 (sometimes \$0)	Substantial legal fees and other start-up costs involved. Typically takes many months to create and get 501(c)(3) determination letter
Ongoing Administrative & Management Fees	Varies with parent organization and level of service; typically low	Extensive ongoing fees and time involved to administer. Must file annual tax returns; conduct meetings, to manage and administer all functions
AGI Limits for Claiming Charitable Income Tax Deduction for Contributions	<u>50%</u> of AGI (adjusted gross income) for cash gifts, <u>30%</u> for gifts of assets, securities or real property	<u>30%</u> of AGI for cash gifts; <u>20%</u> for gifts of assets, securities or real property
Required Annual Distributions to Charities	NONE	Must expend 5% of net assets valued annually, regardless actual investment returns
Privacy Benefits	Complete confidentiality available for client and for the grant recipient charities	No anonymity. Annually filed Form 990s are public records for grants, expenses, staff salaries, etc.
Excise Tax	NONE	Excise tax of 1% to 2% of net investment income. Punitive penalties
Valuation of Gifts	Fair Market Value (provided client owned contributed asset more than 1 year)	Fair market value for cash and publicly traded stock; cost basis for other gifts including closely held stock and real estate

STAY TUNED:

“PROPOSED” Treasury Regulations

Re: Donor Advised Funds

- Proposed Treasury Reg. § 53.4966-0 through 53.4966-6
- Link to Regulations/Docket/Comments:
<https://www.regulations.gov/docket/IRS-2023-0053>
- **Calendar of Events:**
 - Nov. 2023 – IRS Proposes Regulations
 - Feb 15, 2024 Public Comment Period Expired *236 Public Comments
 - April 19, 2024 – Bi Partisan Congressional Letter to Treasury Secretary
 - Public Hearing On May 6, 2024 *25 to 30 witnesses testified to IRS
- **Loper Bright Enterprises – SCOTUS Decision (June 2024)**
 - (Opinion repealed the controversial Chevron Doctrine of 40+ years)
 - Chessboard Has Changed!
 - Huge Impact on Issuance of Future Regulations from Treasury (and all Federal Agencies)

Bi-Partisan Congressional Letter to Treasury Secretary Yellen Dated April 19, 2024

Congress of the United States
Washington, DC 20515

April 19, 2024

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Yellen:

As supporters of the charitable sector and philanthropic organizations in our communities, we write in response to the recent Notice of Proposed Rulemaking pertaining to definitions and rules related to donor-advised funds, REG-142338-07 (the "Regulations"). We are concerned these regulations could have the unintended consequence of impeding charitable giving in our communities, particularly at our local community foundations. We urge Treasury to adequately respond to the concerns raised by the respondents to Treasury's request for comments before issuing final regulations.

Donor-advised funds (DAFs) are charitable giving vehicles that allow individuals and families to contribute to local charities. DAFs provide flexibility to donors in their grantmaking, as some donors grant out all or most of their contributions in the first few years, while others may let the charitable funds grow prior to being disbursed. DAFs are now a key tool utilized by community foundations, national sponsors, faith-based and single-issue charities, and other nonprofits to help donors maximize the impact of their charitable giving. Grants from DAFs to charities increased to \$52.2 billion in 2022, more than doubling in the past five years, and DAFs have an annual distribution rate regularly exceeding 20 percent.

Given the rising popularity of DAFs, we are concerned the Regulations could limit their appeal and potentially undermine charitable giving for several reasons.

First, the Regulations are overly broad, and may cause a chilling effect on charitable giving to DAFs. By making an investment advisor a donor-advisor, the Regulations could severely restrict the role of an investment advisor, and thus lead to donors choosing other vehicles. For instance, the Regulations could lead donors to pick alternative charitable vehicles with lower annual payouts, thereby negatively impacting the many charities that have come to rely on such funding.

Second, under the Regulations' broad definition of the term "donor-advised fund," many funds held by certain public charities could be classified as a DAF, and thus be subject to a more complicated regulatory regime. For example, counting field of interest funds (FOIFs) as DAFs would be particularly harmful at community foundations, where these funds support important local initiatives, often in perpetuity. Subjecting FOIFs, designated funds, or funds with advisory committees to the same substantiation requirements and limitations as what have been

- *"We are concerned these regulations could have unintended consequences of impeding charitable giving in our communities, particularly at our local community foundations."*
- *"The Regulations are overly broad, and may cause a chilling effect on charitable giving.."*
- *"We urge your full and fair consideration of their concerns, consistent with applicable statutes and regulations, before issuing final regulations that could undermine the charitable giving that so many of our communities depend on."*

****Signed by 33 of 43 members of House Ways & Means Committee (HWMC)
& 11 of 19 members of the Tax Sub-Committee of HWMC * including the Chair & Ranking Member**



DEFERRED/TESTAMENTARY CHARITABLE GIVING (at client's death)

- TOD/POD Beneficiary Designations on Bank & Investment Accounts to Charity
- Bequests in Last Will & Testament or Trust
- Beneficiary Designations on Life Insurance, IRA's, 401k and other retirement assets to Charity
- Reserved Life Estates in Personal Residence or Farm (current gift of remainder interest to charity)
- Charitable Gift Annuities (CGAs)
- Charitable Remainder Trusts (CRTs)
- Pooled Income Funds

Recommended Provision in Will or Trust

“Specific” Distribution to Charity

Fifty Thousand Dollars (\$50,000) cash to COMMUNITY FOUNDATION OF BREVARD, (Federal Tax ID/EIN#), located at _____ (or, if applicable, at any such future applicable mailing address) to be used on an unrestricted basis COMMUNITY FOUNDATION OF BREVARD (or, if applicable, any future legal successor charitable organization). If COMMUNITY FOUNDATION OF BREVARD is no longer in existence and/or no longer operating as a non-profit charitable organization described in Sections 170(b)(1)(A), 170(c), 2055(a) or 2522(a) of the Internal Revenue Code of 1986 (as may be amended from time to time) as of the date of my death, then this specific distribution shall lapse.

Charitable Giving at Death

Beneficiary of Will vs. Beneficiary of IRA

\$500K to **Community Foundation for Brevard** as a Beneficiary in a Last Will & Testament *(or Revocable Trust)*

\$500K to **Community Foundation for Brevard** as a Beneficiary of an **IRA, 401(k), or 403(b) Plan**

	To CF of Brevard	To Kids
IRA	\$0	\$500,000
Last Will & Test.	\$500,000	\$0
Less: Income Tax to IRS (at 35%)	\$0	(\$175,000)
Net Amount	\$500,000	\$325,000



	To CF of Brevard	To Kids
IRA	\$500,000	\$0
Last Will & Test.	\$0	\$500,000
Less: Income Tax to IRS (at 35%)	\$0	\$0
Net Amount	\$500,000	\$500,000



**This very simple “planning” distinction results in \$175,000 more to kids and less to IRS!!*

Charitable Beneficiary IRA Distribution Resource Center (RIFT Project)

In a recent CGP survey 43% of organizations stated they experienced difficulty in collecting beneficiary proceeds from one or more IRA administrators.

www.charitablegiftplanners.org/ira-distribution-resource-center

In a recent CGP survey, 43% of organizations stated they experienced difficulty in collecting beneficiary proceeds from one or more IRA administrators. This is a matter of great concern to nonprofit organizations across the country. Many individuals and organizations are working to improve the timely distribution of beneficiary proceeds from financial institutions. Through awareness, advocacy and the collection of valuable information to assist organizations, they have created a number of resources to expedite distributions and promote change in institutional policy. The goal of the center is to organize the results of their efforts in one location to benefit the entire nonprofit sector.

This center is meant to be dynamic with new resources and information added as they become available. If you have information to share or know of a resource that should be added, please let us know by adding your comments in the "Contact Us" bulleted link below.

- [Read About the Issue: Unmasking the Unthinkable: Financial Institutions Hoard Intended Charitable Gifts - August 5, 2022](#)
- [RIFT Database of IRA Custodians](#)
- [2023 FinCEN Ruling Letter](#)
- [Join RIFT Advocates Working Group](#)
- [Transfer on Death \(TOD\)/Brokerage accounts](#)
- [Attorney General Complaints](#)
- [A Word About Income Tax Withholding](#)
- [New IRS Form W-4R in 2023](#)
- [Sample Corporate Resolutions](#)

“Testamentary” CHARITABLE GIVING with retained Lifetime Income/Benefit

- “Retained Life Estate” Gift of Personal Residence /Farm
- Charitable Gift Annuity (CGA)
- Charitable Remainder Trust (CRT)
- Pooled Income Fund (PIF)

Charitable Remainder Trust

IDEAL CLIENT PROFILE:

- Wants to give to charity *at death*
- Owns highly appreciated stock, real property, or asset
- Wants to diversify without tax & receive income for life
- Life Insurance Trust & Wealth Replacement Strategy

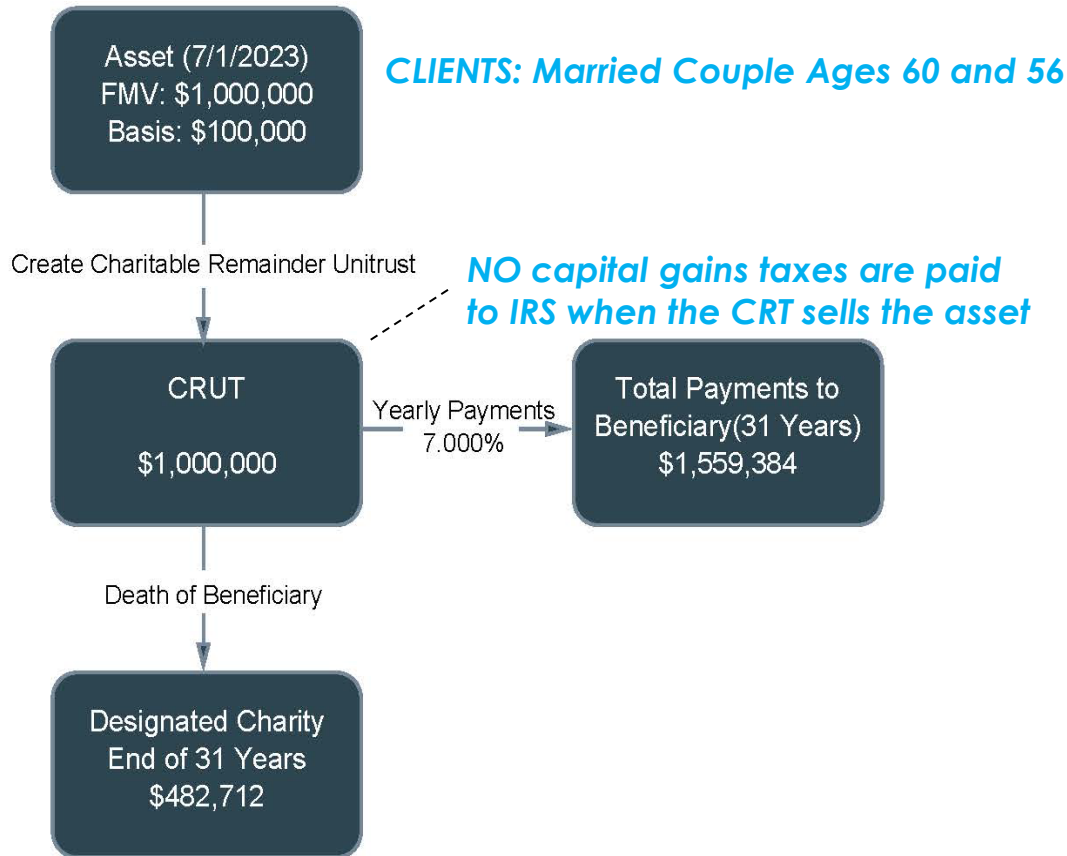
Different Types of CRTs:

- Standard unitrust or annuity trust (CRUT or CRAT)
- NICRUT
- NIMCRUT
- “Flip” NIMCRUT

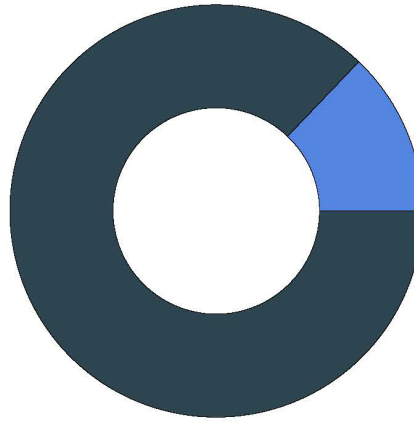
Charitable Remainder Unitrust

Payout Sequence Factor:	\$1.000000
Adjusted Payout Rate:	7.000%
Remainder Factor:	0.12874
Present Value of Remainder Interest = \$1,000,000 x 0.12874:	\$128,740.00
Donor's Deduction:	\$128,740.00
Donor's Deduction as Percentage of Amount Transferred:	12.8740%
Present Value of Succeeding Noncharitable Interests:	\$116,120.00

**IMMEDIATE
Charitable Deduction
of \$128,740**



Charitable Remainder Unitrust



■ Nondeductible ■ Deductible

Economic Schedule

Year	Beginning Principal	Principal Growth	Income Accrued/Recd	Payment Distribution	Remainder
1	\$1,000,000	\$18,600	\$28,179	\$70,000	\$976,779
2	\$976,779	\$18,168	\$27,525	\$68,375	\$954,098
3	\$954,098	\$17,746	\$26,886	\$66,787	\$931,943
4	\$931,943	\$17,334	\$26,261	\$65,236	\$910,302
5	\$910,302	\$16,932	\$25,652	\$63,721	\$889,164
6	\$889,164	\$16,538	\$25,056	\$62,242	\$868,517
7	\$868,517	\$16,154	\$24,474	\$60,796	\$848,350
8	\$848,350	\$15,779	\$23,906	\$59,384	\$828,650
9	\$828,650	\$15,413	\$23,351	\$58,006	\$809,408
10	\$809,408	\$15,055	\$22,808	\$56,659	\$790,613
11	\$790,613	\$14,705	\$22,279	\$55,343	\$772,255
12	\$772,255	\$14,364	\$21,762	\$54,058	\$754,322
13	\$754,322	\$14,030	\$21,256	\$52,803	\$736,806
14	\$736,806	\$13,705	\$20,763	\$51,576	\$719,697
15	\$719,697	\$13,386	\$20,280	\$50,379	\$702,985
16	\$702,985	\$13,076	\$19,810	\$49,209	\$686,661
17	\$686,661	\$12,772	\$19,350	\$48,066	\$670,716
18	\$670,716	\$12,475	\$18,900	\$46,950	\$655,142
19	\$655,142	\$12,186	\$18,461	\$45,860	\$639,929
20	\$639,929	\$11,903	\$18,033	\$44,795	\$625,069
21	\$625,069	\$11,626	\$17,614	\$43,755	\$610,555
22	\$610,555	\$11,356	\$17,205	\$42,739	\$596,377
23	\$596,377	\$11,093	\$16,805	\$41,746	\$582,529
24	\$582,529	\$10,835	\$16,415	\$40,777	\$569,002

Charitable Remainder Unitrust

Year	Beginning Principal	Principal Growth	Income Accrued/Recd	Payment Distribution	Remainder
25	\$569,002	\$10,583	\$16,034	\$39,830	\$555,789
26	\$555,789	\$10,338	\$15,662	\$38,905	\$542,883
27	\$542,883	\$10,098	\$15,298	\$38,002	\$530,277
28	\$530,277	\$9,863	\$14,943	\$37,119	\$517,964
29	\$517,964	\$9,634	\$14,596	\$36,257	\$505,936
30	\$505,936	\$9,410	\$14,257	\$35,416	\$494,188
31	\$494,188	\$9,192	\$13,926	\$34,593	\$482,712
Summary	\$1,000,000	\$414,350	\$627,746	\$1,559,384	\$482,712

↓
Total Amount
to Clients

↓
Amount to
Community
Foundation
of Brevard
(after death
of clients)

****ADVISORS**...Learn how to couple “wealth replacement” life insurance policies in Irrevocable Life Insurance Trusts (ILITs) with CRTs, particularly for life insurance professionals in the room. Immediate tax savings are often recommended to be used to purchase life insurance policy.

-“Young” Pooled Income Funds-

First, what is a **pooled income fund**? (simple working definition):

- a PIF is a trust created and maintained by a charity, which receives contributions of assets, commingles such assets with the assets gifted to the PIF from other donors, distributes its “income” for the lifetime one or more named persons annually, and then upon the death of the last income beneficiary, distributes the principal assets of the PIF to the charity maintain the PIF,
- A PIF is similar to a CRT, but created by a charity (instead of a donor)
- BIG difference from CRTs & CGAs: the INCOME to client (lifetime beneficiary) is **variable**

What's a “Young” Pooled Income Fund?

- **A PIF that has been in existence for < 3 years**
- **For “Young” PIFs**, the donor’s current charitable income tax deduction is calculated by using an arbitrary rate defined in Treasury Regs.
 - SEE §1.642(c)-6(e)(4): the highest average 7520 rate from past 3 years reduced by 1% is how the PIF’s highest rate of return from the prior 3 years is determined)
 - **The CURRENT “YOUNG” PIF RATE for 2024 is 3.8%**
- **THIS IS WHY THE DEDUCTION FROM A “YOUNG PIF” IS LARGER THAN A COMPARABLE Charitable Remainder Trust**
- **For PIFs that are > 3 years old**, the donor’s charitable income tax deduction is calculated using a discount rate that is equal to the PIF’s actual *highest* rate of return during the past 3 years

“Young” PIF vs. Charitable Remainder Unitrust

“Young”

Pooled Income Fund

- Facts:
 - Client Age 60
 - \$1,000,000 asset to “Young” PIF

- IMMEDIATE Charitable Deduction

= \$453,840

*45% of Total Gift

Charitable

Remainder Unitrust

- Facts
 - Client Age 60
 - \$1,000,000 asset to “CRUT w/ 6% Payout”

- IMMEDIATE Charitable Deduction

= \$291,340

*31% of Total Gift

Comparison: “Young” Pooled Income Fund vs. CRT

Benefits to Donor/Client	“Young” Pooled Income Fund	Charitable Remainder Trust
Charitable Income Tax Deduction in Year 1	Much LARGER than a comparable CRT (or CGA)	Much SMALLER than a comparable Young PIF
Capital Gains Tax “Avoidance”	Pre-Contribution Capital Gains Taxes are completely avoided by donor	Capital gains are “trapped” in CRT, subject to the 4-tier accounting rules
Multiple Generation Planning for Donors	YES 10% Remainder requirement of CRTs does NOT apply	NO 10% Remainder requirement prevents Multi-Generational Planning
Applicable For Younger Clients/Donors (20s, 30s, and 40s)	YES (10% remainder requirement of CRTs does not apply)	NO 10% Remainder requirement prevents younger donors from using CRTs (and CGAs for that matter)
Set Up Costs & Time	NOMINAL ; only a few days need to set up	Significant up-front costs and time with attorney/CPA, annual tax returns & admin
Amount of Initial Gift	Lower Threshold (as low as \$25,000)	Higher Threshold (usually \$250,000 minimum)
Donor Control	NONE PIF must be maintained by the recipient charity (the remainder charity must be trustee or have trustee removal power)	Much greater control, the Donor can serve as trustee

Comparison: “Young” Pooled Income Fund vs. CRT

Benefits to Donor/Client	“Young” Pooled Income Fund	Charitable Remainder Trust
Structure of Life Interest	Must be based on life (or lives) and must be paid each year	Can be for term (up to 20 years) or based on life (or lives); delayed, turned on & off
“Sprinkling” Life Interest	NO (only a spray distributions based on set %'s to defined beneficiaries)	YES (trustee can have discretion to “sprinkle” to class of beneficiaries)
Recipient of Life Interest	ONLY individuals	Individuals, corporations, LLCs, other trusts
Debt Encumbered Property	FEWER PROBLEMS	HUGE PROBLEMS
Commingling with Other Gifts to Same Charity	YES	NO
Donor Control	NONE PIF must be run or owned by and administered by the recipient charity	Much greater control, the Donor can serve as trustee
Annual IRS Filing Requirements	NONE	IRS Forms 5227 & Form 1041 K-1s EACH YEAR

Keys Ideas

for Charitable Planning

- Clarity Regarding “Charity”
- Opportunity to Differentiate from Others
- TIMING is Such an Important Factor
 - For client’s objectives (tapping into the WHY?)
 - For tax savings
 - For recipient charity(ies) – managing expectations
 - For selecting the best Planning Tool!
- Gateway to tap into client’s interests, key values, and “legacy” genes

Allied Professionals, remember
that Charitable Gift Planning is...



an ECOSYSTEM
that is thriving
& full of growth opportunities!

Any Questions?

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