

CREATING A CHARITABLE LEGACY

FREQUENTLY ASKED QUESTIONS

PLANNED CHARITABLE GIFTS

Q. WHAT IS A CHARITY AND WHY SHOULD I CONSIDER CHARITABLE GIVING?

A. “Charity” usually refers to a 501(c)(3) organization as defined in the Internal Revenue Code. Charitable giving allows individuals to further causes that are near and dear to their hearts. Common examples include animal rescue groups, religious organizations, museums, health foundations, and educational organizations.

OUR SERVICES INCLUDE:

- Reviewing, analyzing, and advising on various charitable contribution options.
- Establishing and/or modifying charitable trusts and foundations.
- Advising clients on achieving charitable intent.

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Q. DO I GET A DEDUCTION ON MY TAXES?

A. Yes, charitable contributions are deductible on an income tax return, *if* deductions are itemized*. The standard deductions for calendar year 2025 are \$15,750 for an individual and \$31,500 for a married couple filing jointly. This means that in order to deduct charitable gifts, available deductions (including charitable gifts) must meet or exceed the applicable standard deduction amount, subject to a 5% floor.

*In 2026 charitable deductions of up to \$1,000 for an individual and \$2,000 for a married couple filing jointly even if taking the standard deduction.

Q. HOW CAN I MAXIMIZE MY CHARITABLE DEDUCTIONS?

A. There are several strategies to maximize available deductions. They include:

1. **Bunching.** Many individuals make annual gifts to the charitable organizations they support. Bunching is taking two or more years of annual charitable gifts and making them in a single year to ensure that available deductions will exceed the standard deduction amount.

2. **Qualified Distribution from Retirement Account.** Individuals over age 70 1/2 can make a qualified charitable donation up to \$100,000 directly from a retirement account to a charitable organization. The donation counts toward satisfying the individual’s annual required minimum distribution. If a charitable gift is made in this manner, the distribution is no longer included in donor’s taxable income nor is it an itemized deduction (effectively a wash of income and available deduction). This strategy is unavailable for gifts to donor advised funds.

3. **Donating Appreciated Assets.** Donating appreciated assets such as stocks or real property is an option to turn a potentially taxable event (e.g. the sale of the asset) into a non-taxable event. If an appreciated qualified asset is donated, the donor gets the benefit of the fair market value as a charitable deduction without realizing any capital gains, while the charitable organization can sell the asset in the future without any income tax liability due to its tax-exempt status. Donations to public charities and private foundations have different rules regarding how much the contribution can offset taxable income and what is a qualified asset.

4. **Donor-Advised Fund.** A donor-advised fund is a charitable investment account over which the donor retains the right to act as an advisor. The donor creates a fund with cash, securities, or other assets to benefit certain charitable causes. The donations to the fund are made in a single year, but the fund can then spread the disbursement of funds to multiple charitable organizations across several years (e.g. multiple

animal rescue groups benefiting for many years from a single donor-advised fund).

Q. HOW CAN I INCORPORATE CHARITABLE GIVING INTO MY ESTATE PLAN?

A. There are several options to make charitable giving part of your estate plan. Each has pros and cons that should be considered and reviewed with an attorney who has knowledge of the relevant tax implications in the context of your entire estate plan.

1. **Bequest.** A bequest is gift made through a will or a trust. This is a simple and straightforward option to make a planned gift that is also easy to implement. Often a bequest is a fixed amount (e.g. \$5,000.00), percentage (e.g. 10%), or specific assets.

2. **Designation of Beneficiary for Retirement Assets.** The owner of a retirement account (401(k), 403(b), or IRA) can name a charity as a designated account beneficiary. Retirement assets are typically treated as taxable income to individuals upon distribution or withdrawal. However, due to the tax-exempt status charitable organizations enjoy, it is possible to turn a taxable event into a non-taxable event by leaving the account (or a portion of it) to a charitable organization. The charity will receive 100% of the amount designated and will not pay any income taxes.

3. **Life Insurance.** Charitable organizations can also be named as a beneficiary of a life insurance policy. Alternatively, a charitable organization may be named as the owner and beneficiary of the policy. If the charitable organization is the owner and beneficiary, the insured/donor would receive a charitable deduction for the annual premium payments.

4. **Charitable Gift Annuities.** A gift of cash or property may be made to a charitable organization and, in turn, the charity agrees to make fixed payments back to the donor for his or her life. This option works well for individuals who (i) own assets providing little or no income or that are highly appreciated, and (ii) are seeking a fixed income for the future.

5. **Charitable Remainder Trust.** An irrevocable trust can be created and funded with cash or appreciated assets that will make payments to the donor, the spouse, or his or her children, for life or a term of years. At the death of the donor or the expiration of the designated time period, the balance of the trust is transferred to the charitable organization. This works well for donors with appreciated assets (e.g. stock) who would like to generate cash/income without paying all the capital gain tax at the time of sale. It is also flexible as the charitable beneficiary may be changed by the donor at any time during his or her life.

6. **Retained Life Estate.** For individuals with real property that they wish to donate, a life estate deed can allow a donor to retain the right to use and enjoy the property for the rest of his or her life while making a present gift to charity. The deed itself would provide that the property passes to the designated charitable organization immediately upon the death of the donor. No probate administration or new deed would be required—the charity automatically would become the owner. This option allows for an income tax deduction during the donor's life, while still retaining the right to use and enjoy the property.

Q. WHAT LOCAL RESOURCES ARE AVAILABLE FOR ADVICE?

A. Charitable giving is an important part of an estate plan and estate planning is best implemented using a team-based approach. This may include collaboration between an estate planning attorney, tax advisor, and financial advisor to ensure that charitable goals are fulfilled as part of a comprehensive estate plan. Advisors work together to ensure the appropriate documents are in place and available tax deductions are maximized as appropriate. Other local resources include the Community Foundation of Western North Carolina and the Community Foundation of Henderson County—non-profits that work with individuals and families to achieve charitable goals and support local charitable organizations.

Q. HOW DO I MAKE SURE A CHARITY IS TRUSTWORTHY?

A. Websites like www.guidestar.org and www.charitynavigator.org can provide substantial information about a specific charity including tax filings and what percentage of funding is used toward actual program expenses (vs. administrative expenses). Additionally, community foundations often have relationships with local charities and have vetted those organizations for eligibility relating to grants or other programs. Community foundation staff can often provide in-depth information about the history, management, and financial stability of local charitable organizations. To the extent you are able, personal involvement with a charitable organization is also an excellent way to become more familiar with its operations. This can include volunteering, serving on the board, or attending events sponsored by the organization.

