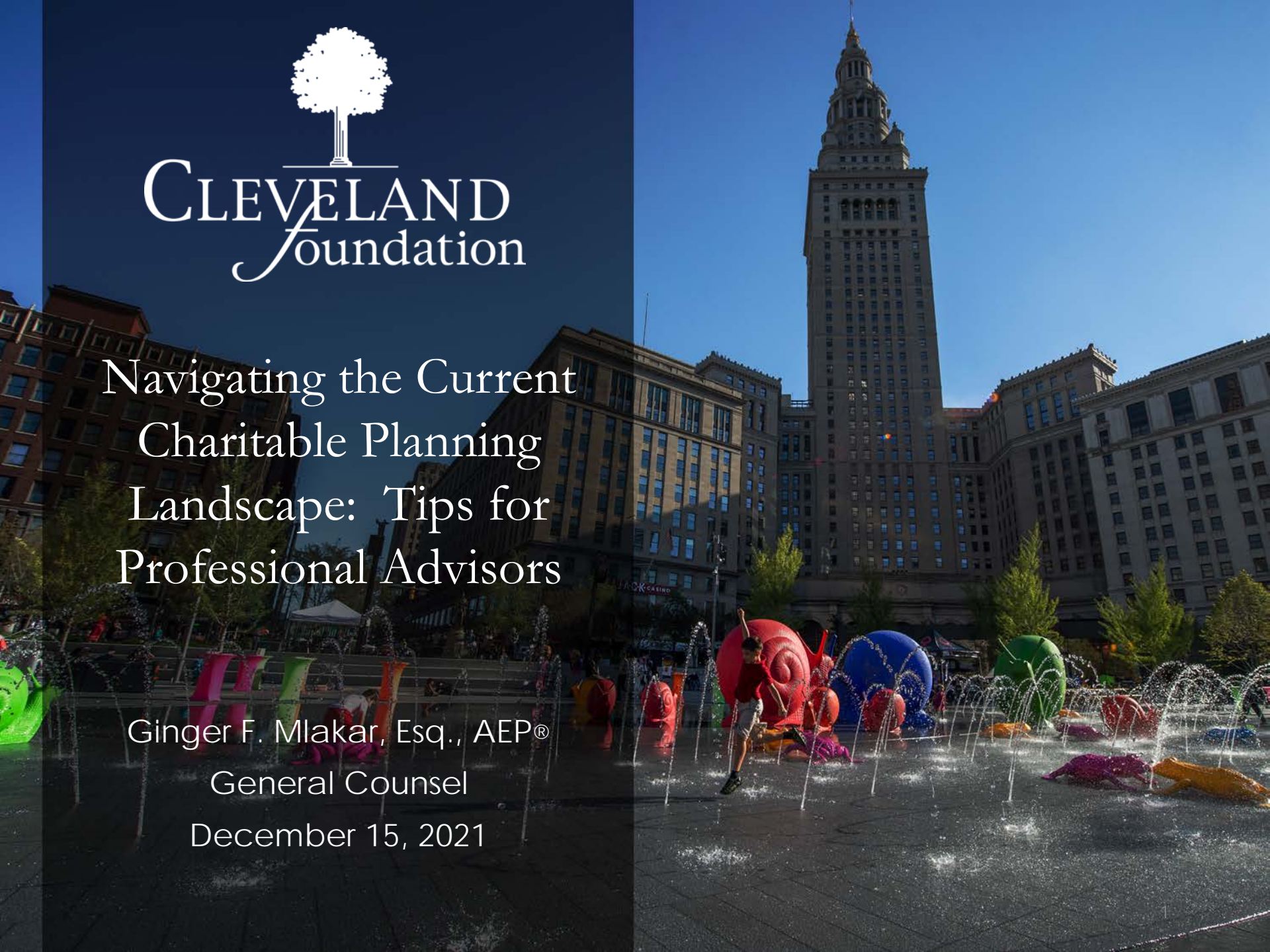




Navigating the Current Charitable Planning Landscape: Tips for Professional Advisors

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Accredited Estate Planner® Designation



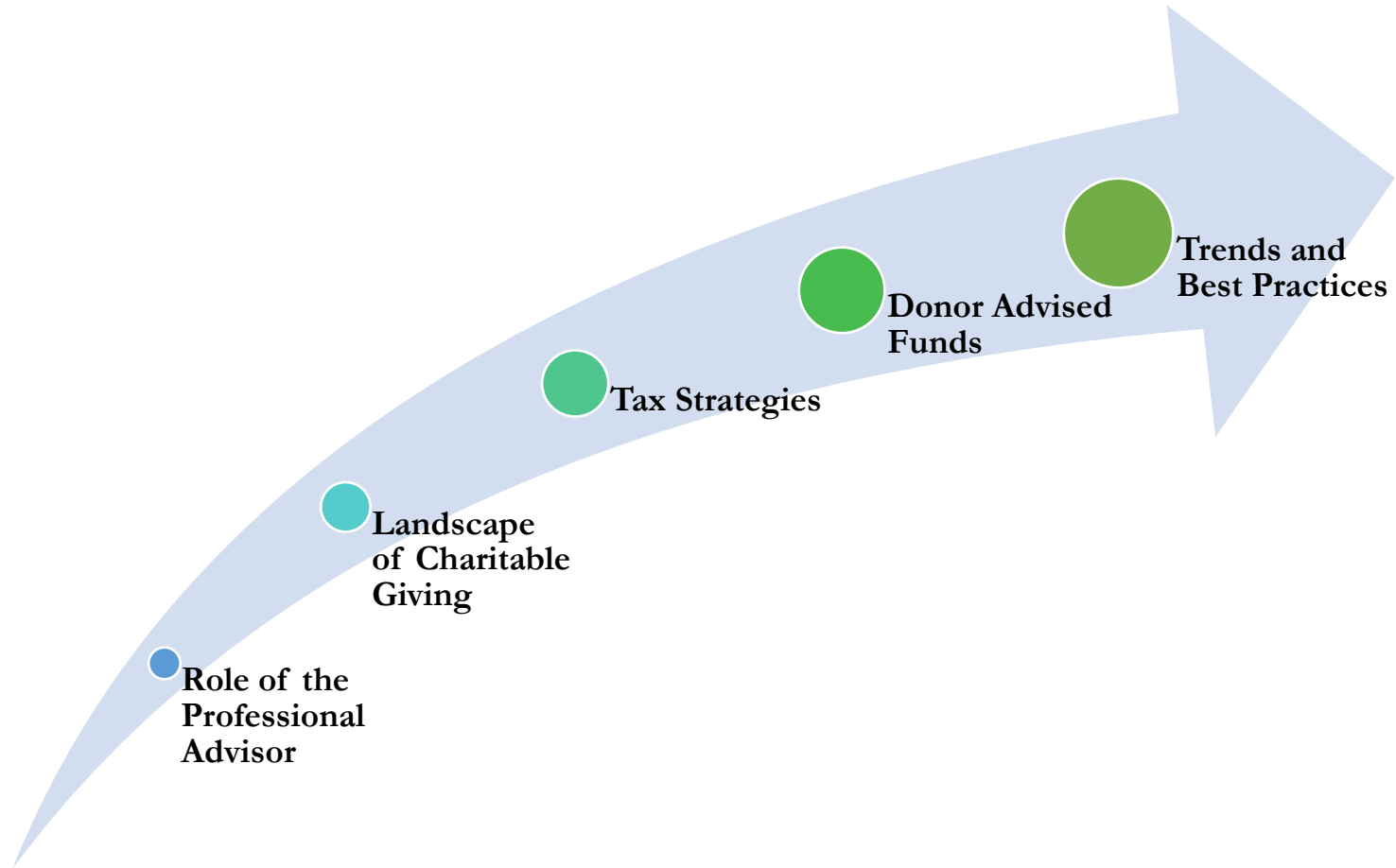
General Requirements:

- Active professional practice for a minimum of five years
- Devote at least 1/3rd of practice to estate planning
- One or more of the following professional credentials: **JD** (active law license required if this is the only credential with which you are applying), **CPA**, **CLU**®, **CFP**®, **ChFC**®, **CPWA**®, **CFA**, **CAP**®, **CSPG**, **CTFA**, **MSFS**, and **MST**
- If self-nominated, 3 references
- Current membership in a local estate planning council
- Requirement for Applicants within 5 – 15* years of Practice: Two graduate courses provided through The American College



*New Development as of 1/2020 – Now if 10+ years in active practice and nominated by Central Arizona EPC, then no additional coursework is necessary

Roadmap of the Discussion



Role of Professional Advisors

Initiating the Conversation



Who brings up philanthropy as a planning topic?

	Advisors	Clients (Donors)
Advisor always/usually brings it up	39%	6%
Donor always/usually brings it up	25%	61%

Role of Professional Advisors

Why Do Clients Not Give?



Advisors

Wealth-Preservation Concerns

- The donor does not have enough money for himself or herself
- The donor is not leaving enough money to his or her heirs
- The donor does not consider himself or herself “wealthy enough”

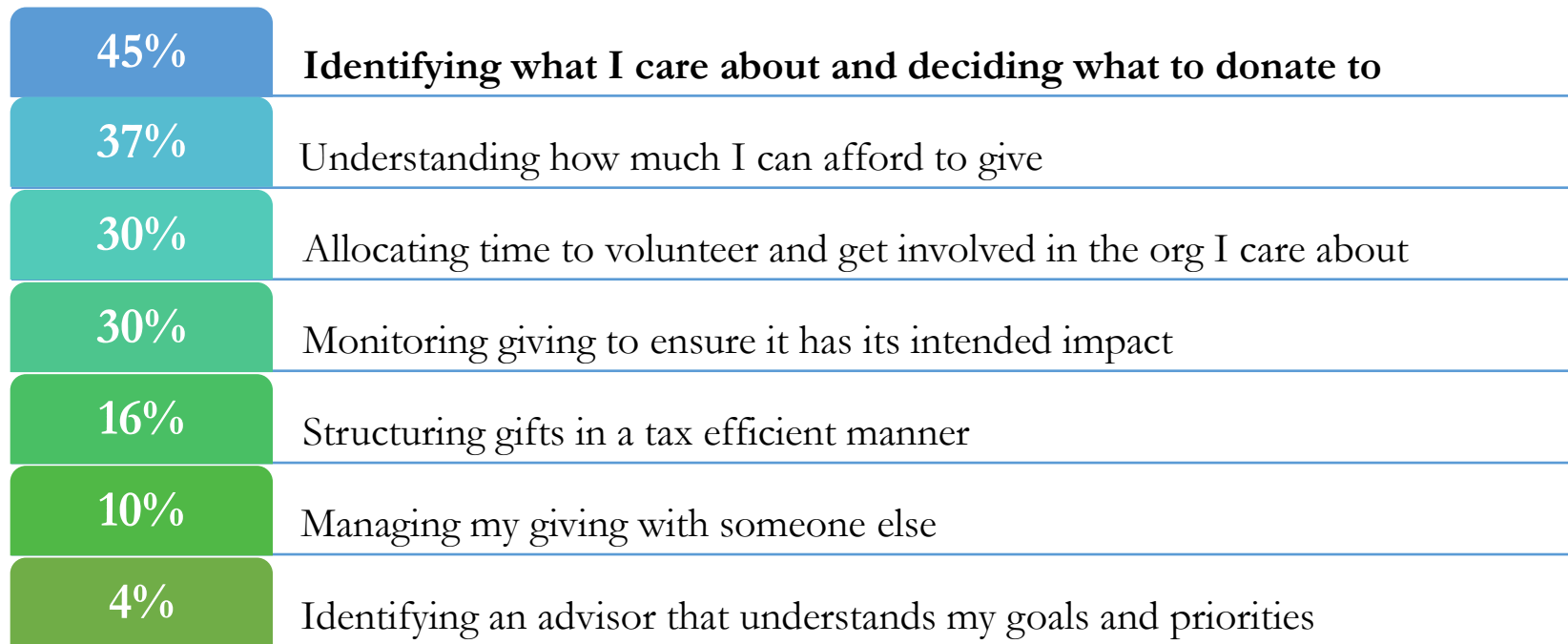
Clients (Donors)

Need for Knowledge

- Lack of knowledge/connection to charity
- Concern that gifts will not be used wisely by the charity
- Fear of increase in donation requests

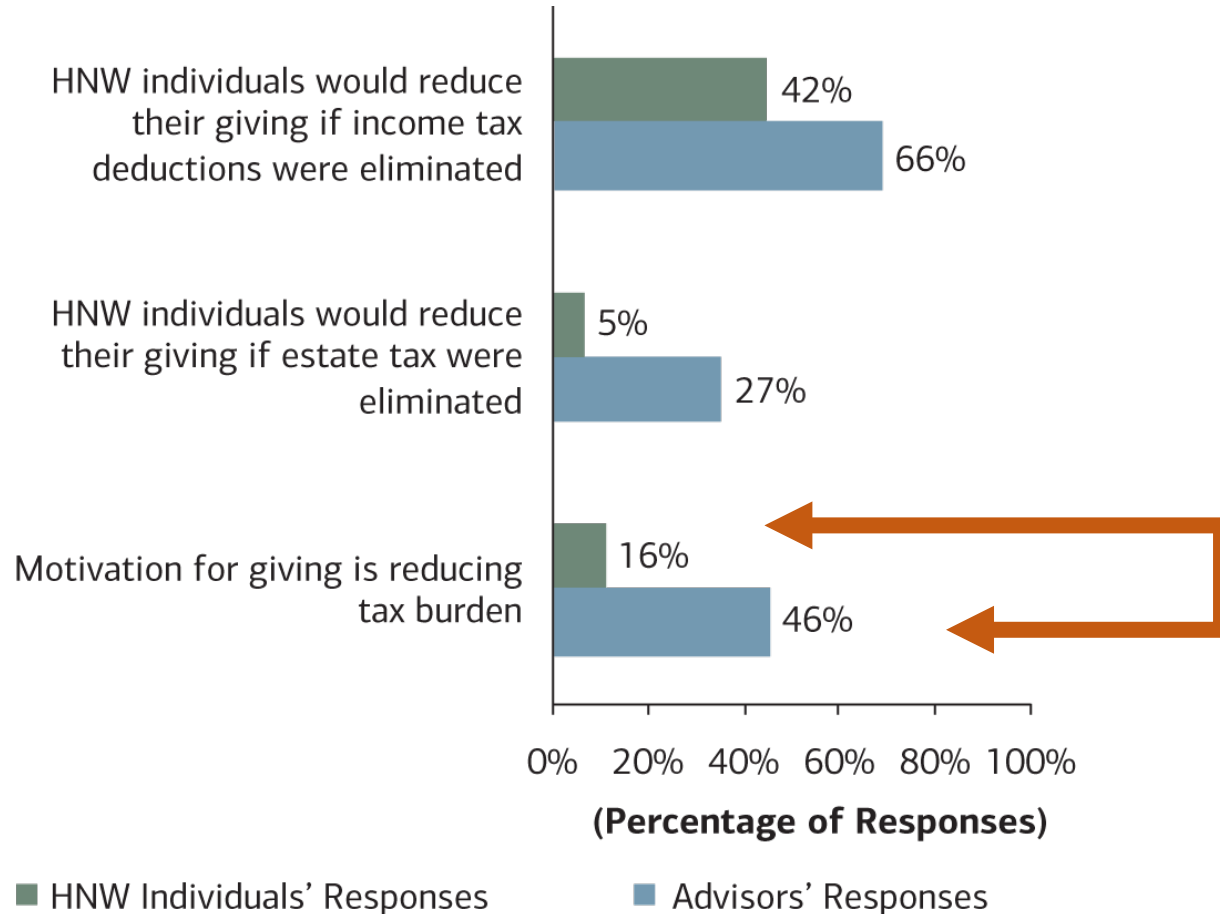
Role of Professional Advisors

Challenges to High Net Worth Donors



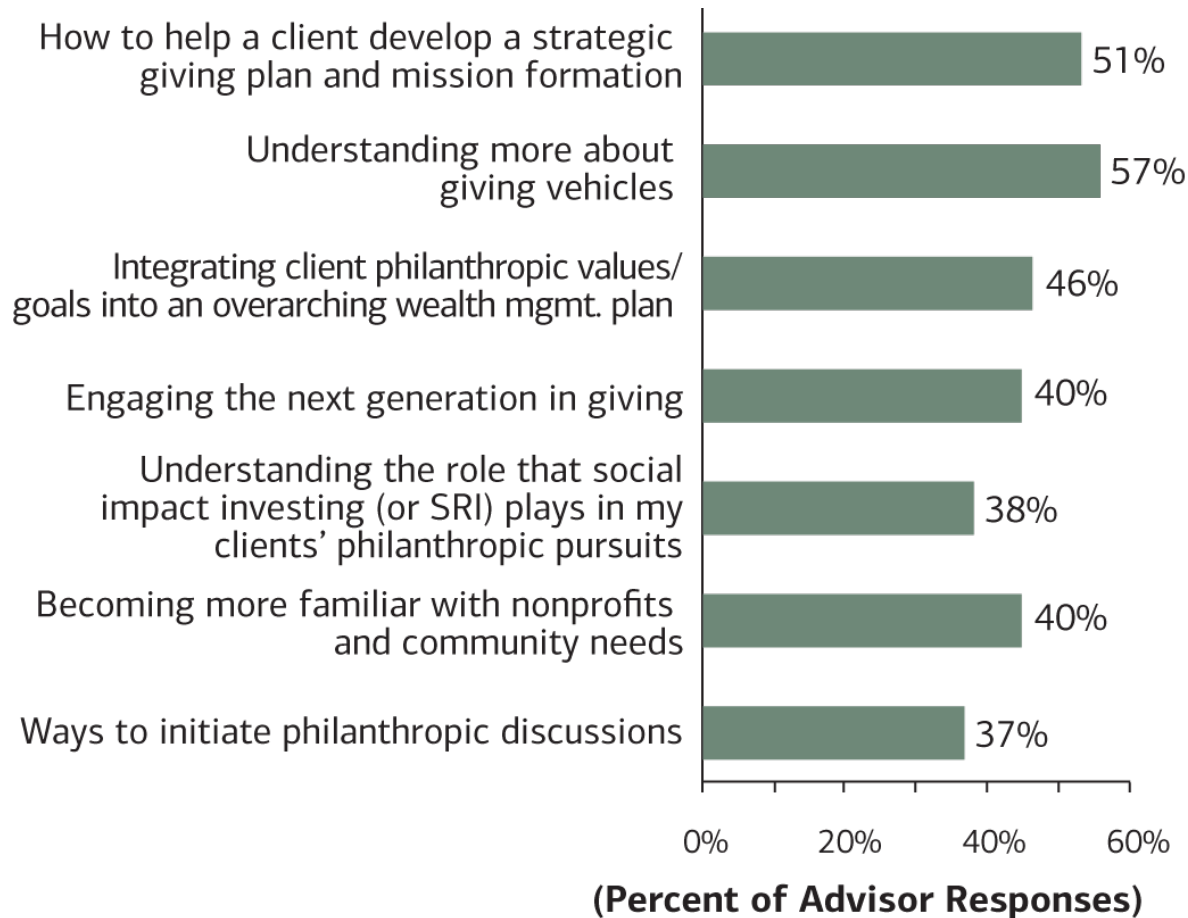
Role of Professional Advisors

Tax Benefits as a Motivation for Giving



Role of Professional Advisors

What Advisors Want to Learn About Philanthropy



Role of Professional Advisors

Why do Advisors Hesitate to Bring Up Philanthropy?



- Question the added value to the relationship
- Lack of Expertise on Options
 - Look into On-Line Resources
 - GuideStar
 - Charity Navigator
 - Consider Leveraging Community Partners
 - Religious Organizations, such as the Jewish Federation
 - Non-profits
 - Community Foundations



Role of Professional Advisors

What is a Community Foundation?



Generally stated ...

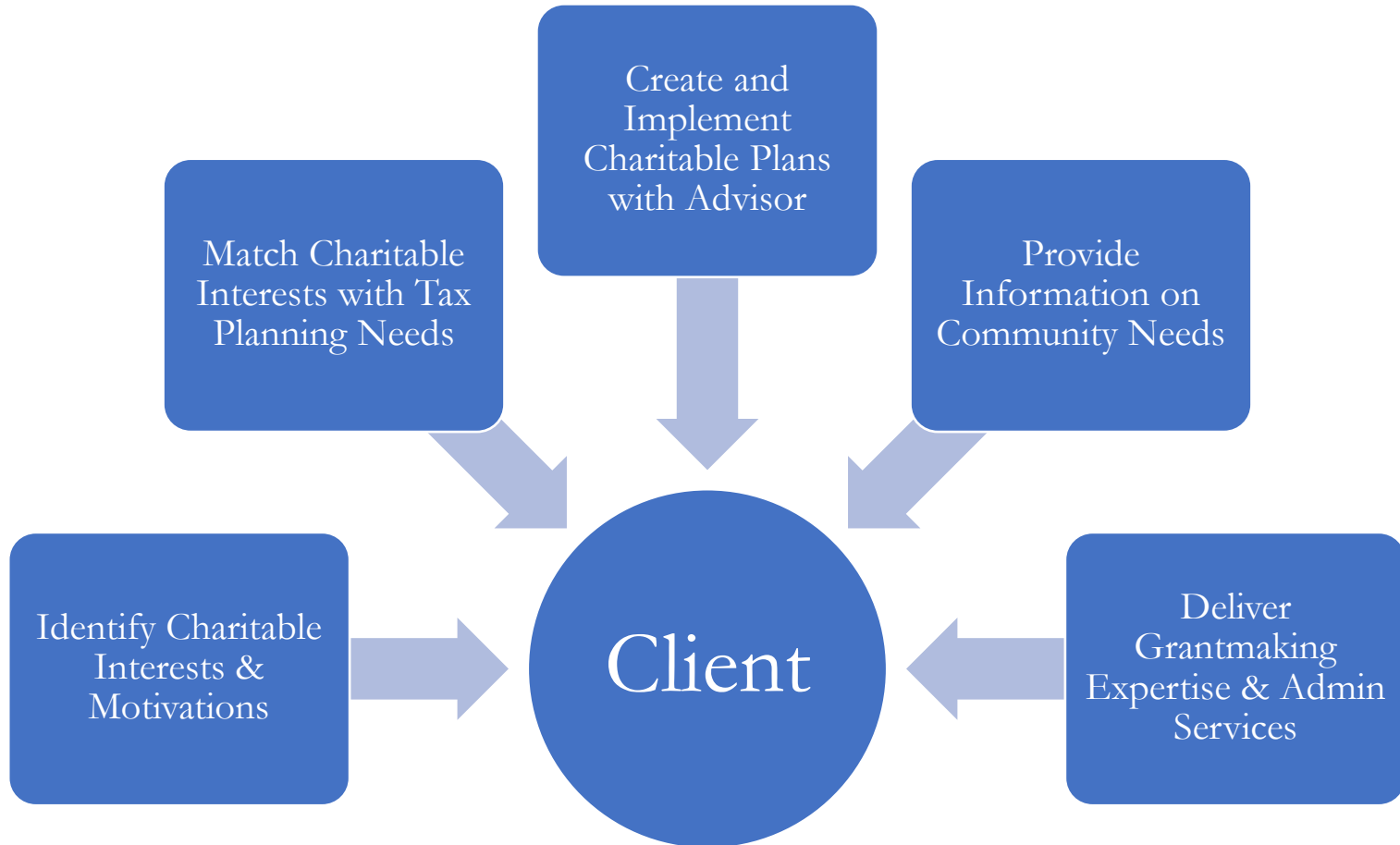
A public charity that promotes local giving, assists in creating donor funds, makes grants to non-profits and facilitates leadership on key issues to enhance the quality of life in a particular geographic region that defines its “community”

The Cleveland Foundation ...

- World’s 1st Community Foundation
- Currently \$2.7 Billion in Assets
- Currently \$100+ Million Annually in Grants

Role of Professional Advisors

How can a Community Foundation Help your Clients?



Role of Professional Advisors

Ways to Initiate Charitable Giving Conversations?



- ✓ Include applicable questions in your estate planning and tax questionnaires
- ✓ Discuss during tax planning, including sale of a closely-held business
- ✓ Ask about it during reviews of tax returns and financial documents, such as POAs, Wills and Trusts
- ✓ Consider for Endtaker or “All Gone” provisions



Charitable Giving Landscape

In 2020 charitable giving increased 3.8% (adjusted for inflation)



Individual Giving

\$324.10 billion

(up 2.2%)



Foundation Giving

\$88.55 billion

(up 17%)



Bequest Giving

\$41.91 billion

(up 10.3%)

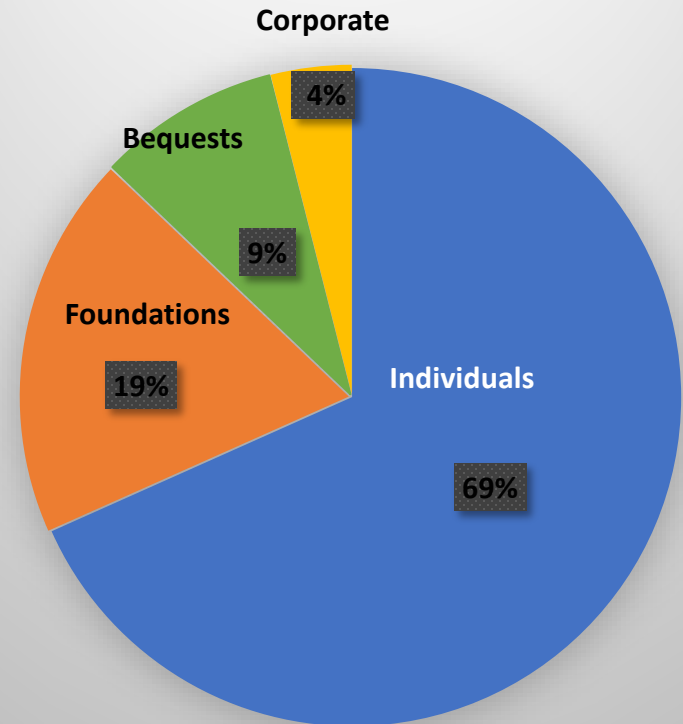


Corporate Giving

\$16.88 billion

(down 6.1%)

Charitable Giving – 2020
\$471.44 billion (a record)



Current Charitable Giving in the U.S.



LILLY FAMILY SCHOOL OF PHILANTHROPY

INDIANA UNIVERSITY
IUPUI

Current economic indicators suggest the U.S. will experience **"broad philanthropic growth"** over the next couple of years:

- Total giving is projected to increase by 4.1% in 2021 and 5.7% in 2022.
- Individuals and households are expected to increase their giving by 6.0% in 2021 and by 3.9% in 2022.
- Giving by corporations is predicted to increase by 4.3% in 2021 and by 6.4% in 2022

Impact of 2017 Tax Law Changes

What Has Changed



I

Increased Standard Deduction

- Single filer: \$6,500 to \$12,000
- Head of household filer: \$9,550 to \$18,000
- Joint filers: \$13,000 to \$24,000

II

Reduction In Itemization

- About 30% of taxpayers itemized their deductions in recent years
- 20.4M households are estimated to itemize deductions in 2018, down from 48.7M in 2017

III

Reduction In Charitable Giving

- Individuals are estimated to reduce charitable giving by \$13B annually
- Tax benefits can still be achieved under the new tax rules

“Bunching” of Charitable Gifts



Scenario

Standard deduction doubled and other popular deductions eliminated/restricted

Taxpayer Challenge

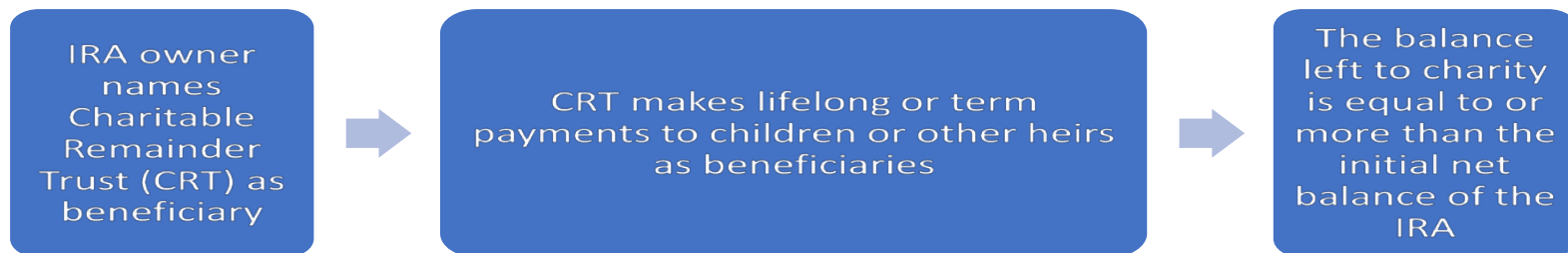
It will be more difficult for many taxpayers to surpass the itemized deduction threshold and receive a tax benefit for charitable giving

Strategy

Donate multiple years' worth of contributions to a DAF in one year to receive the charitable deduction via itemizing, and take the standard deduction in the other years.

Impact of the SECURES Act

End of the Stretch IRA and Give It Twice Trust



	Direct to Children or Other Heirs	Transfer to 5% CRUT
Transfer from IRA	\$2,000,000	\$2,000,000
Federal income tax (est. 22% bracket)	\$440,000	\$0
Net outright to children or other heirs	\$1,560,000	\$0
Total income payments from CRT (est.)	\$0	\$3,442,647 (PV @ 4%: \$2,069,634)
Total benefit to children or heirs (est.)	\$1,560,000	\$2,069,634
Total benefit to charity (est.)	\$0	\$4,065,588 (PV @ 4%: \$1,586,073)
Total benefit to children and charity (est.)	\$1,560,000	\$3,655,707

Key Features Encouraging Charitable Giving under the CARES Act & Consolidation Appropriations Act



- ✓ Cash contributions to public charities can be deducted up to 100% of adjusted gross income (“AGI”) for 2020 & 2021
- ✓ \$300 above the line charitable deduction for 2020 & 2021 for individuals
- ✓ \$600 above the line charitable deduction for 2021 for a couple

Qualified Charitable Distributions (“QCDs”) aka IRA Charitable Rollover



Scenario

Taxpayer is required to take his/her required minimum distribution (“RMD”) starting at age 70 1/2.

Taxpayer Challenge

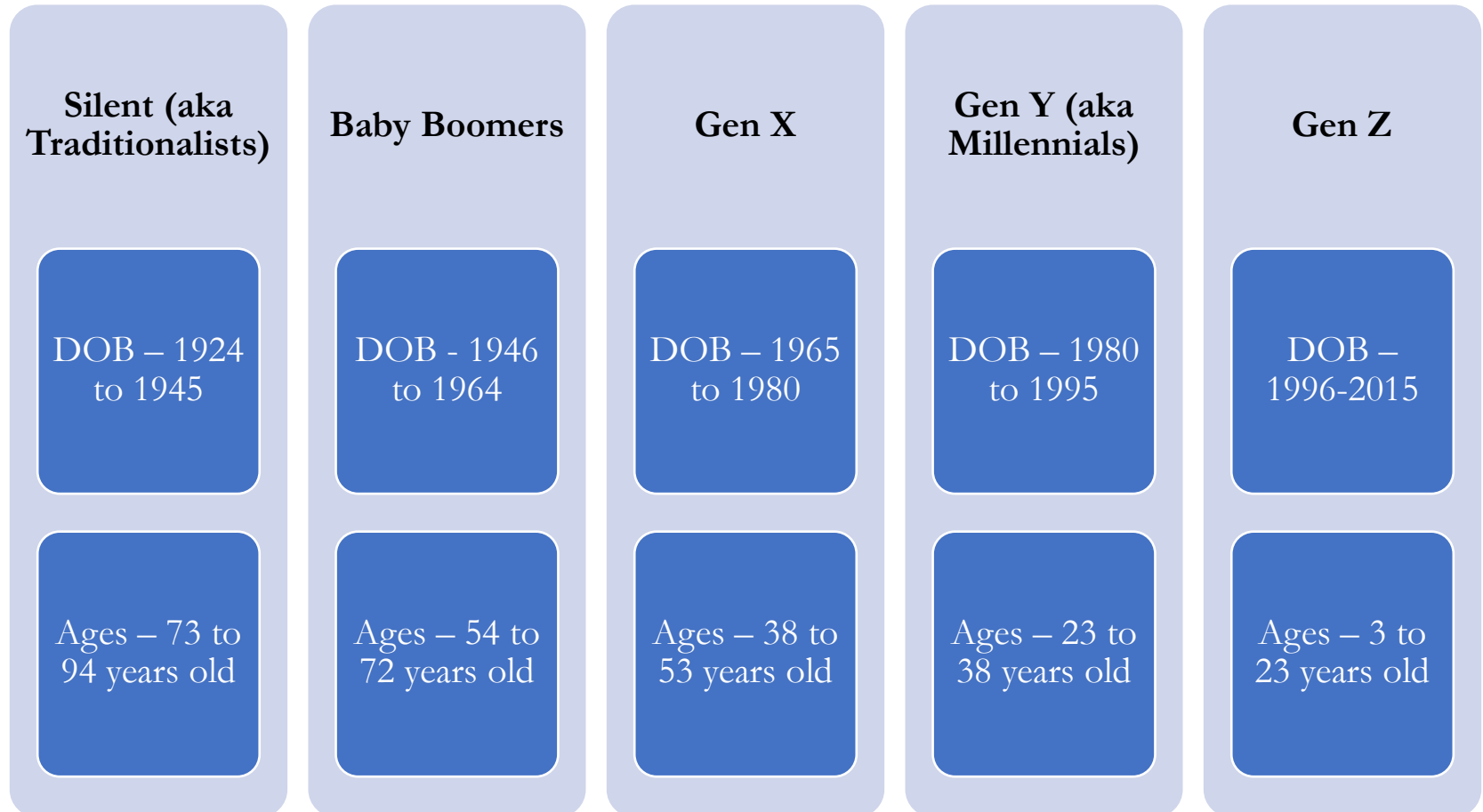
Taxpayer may not need the taxable income for his/her living expenses.

Strategy

Taxpayer transfers from his/her IRA up to \$100,000 (can include the yearly RMD) a year to a qualified tax exempt organization and avoid federal income tax consequences as a result of the distribution.

Landscape in Charitable Giving

Generational Impact



Landscape in Charitable Giving

Silent Generation Factors and Characteristics



- Born during WW II and Great Depression
- Came of age during postwar happiness
- Stay at home moms
- Life-long loyalty to a job
- Children worked hard and kept quiet
- Patriotism, loyalty and faith in communities and institutions
- Saved for a rainy day

Landscape in Charitable Giving

Baby Boomers Factors and Characteristics



- Experienced the economic boom
- Spike in births after soldiers returned from WW II
- TVs in every home
- Civil rights movement and activism
- Draft and Vietnam War
- Rock and Roll
- Two income families
- Optimistic and idealistic



Landscape in Charitable Giving

Gen X Factors and Characteristics



- Corporations were downsizing
- Latchkey kids allowing for more independence
- AIDs
- Global awareness about hunger and famine
- Skepticism about marriage as divorce tripled
- Resourceful
- Very independent

Landscape in Charitable Giving

Gen Y Factors and Characteristics



- Terrorism shakes country with Oklahoma City, Columbine and 9/11
- Weather and climate changes
- Cells phones
- Internet has arrived and PCs are accessible
- Believe in making an impact with volunteerism
- Diversity is top of mind
- Global citizens



Landscape in Charitable Giving

Gen Z Factors and Characteristics



- First black president is elected
- 2008 Recession impacts their families
- Entrepreneurship is top of mind
- Digital Natives with smart phones and touch screens putting the Internet at their fingertips
- Instagram, Snapchat, YouTube, TikTok
- Crowd Sourcing and Crowd Funding

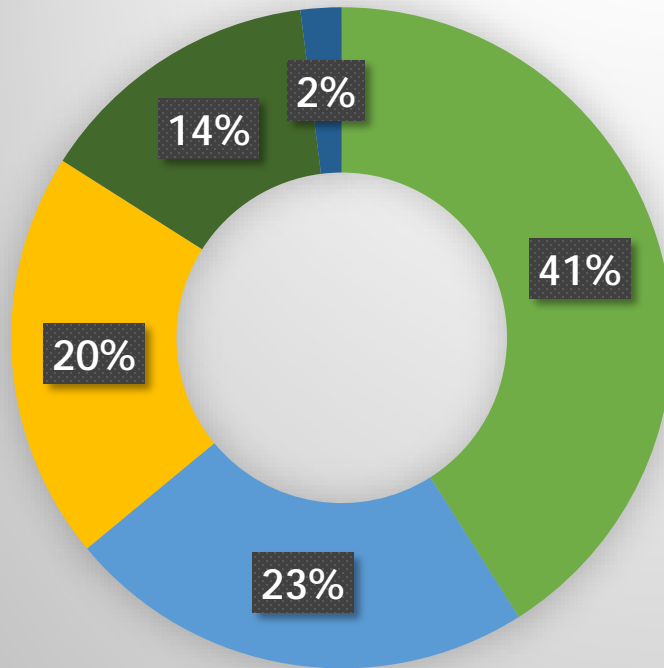
Landscape in Charitable Giving

Multigenerational Giving



Giving by Generation, 2018

Total: \$410.02B



- Baby Boomers (Born 1946 - 1964)
- Generation X (Born 1965 - 1976)
- Silent (Born 1945 and earlier)
- Millennials (Born 1977 - 1995)
- Generation Z (Born 1996 - 2010)

Landscape in Charitable Giving

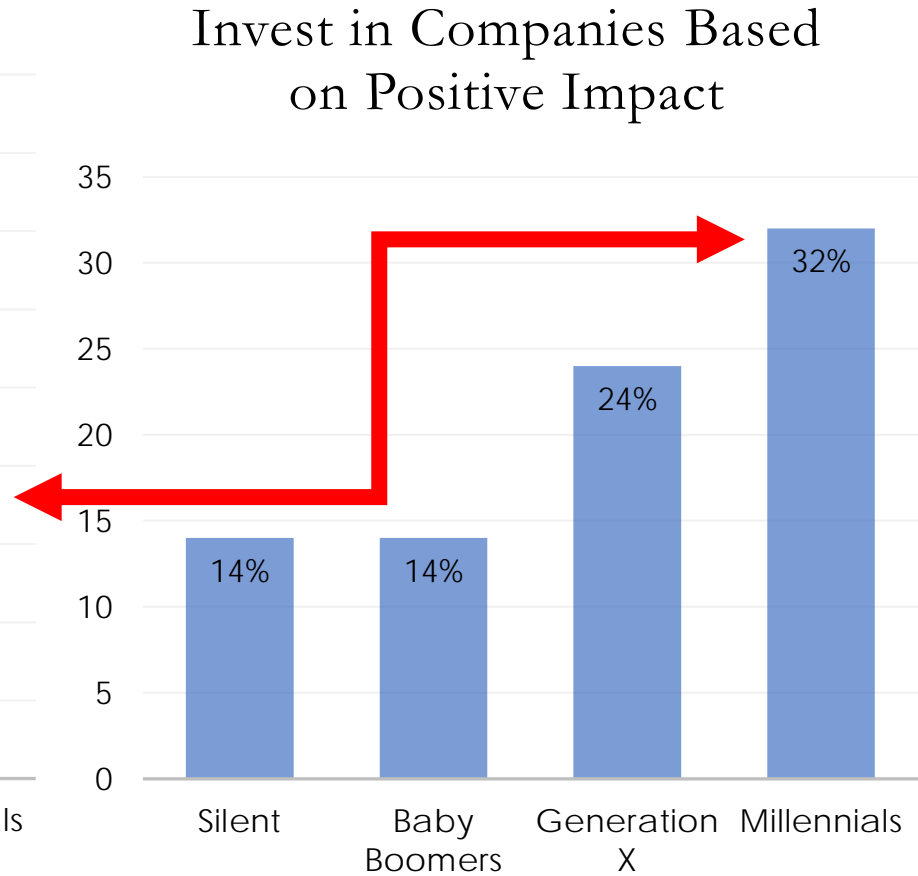
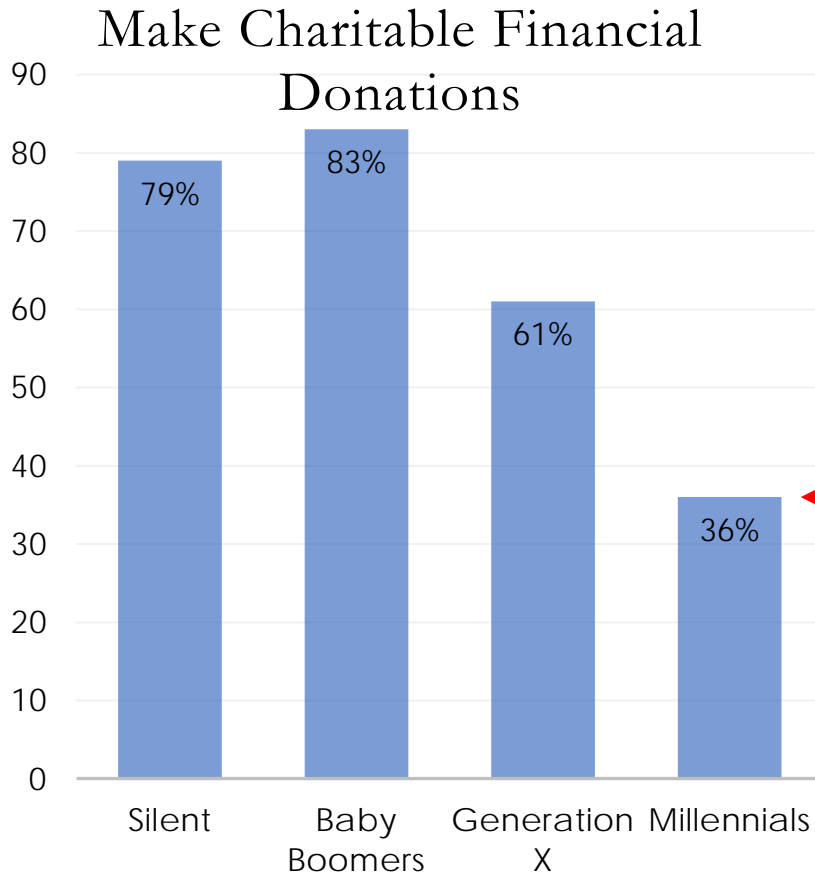
Engaging the Next Generation



	Age ≤ 50	Age 51 – 70	Age > 70
Issues are the most important driver of my charitable decisions	35.6%	27.1%	24.5%
I view volunteering as the way to have the greatest impact	37.4%	28.8%	23.4%
Number of organizations with which I volunteer	3.8	1.9	2.1
I plan to increase my giving in the coming years	40.5%	24.8%	19.9%
I have family traditions around giving	37.3%	19.0%	15.5%
I have involved my children or grandchildren in my giving	44.3%	29.7%	18.0%

Landscape in Charitable Giving

A Closer Look at Gen Y



Preferred Information Sources

By Generation



Where do you find info?	GEN Z	GEN Y	GEN X	BOOMERS	SILENT
Google Search	59%	56%	60%	46%	37%
Social Media	48%	41%	22%	9%	9%
Organization's Website	47%	64%	64%	61%	60%
Charity Review Site	34%	49%	44%	45%	44%
Word-of-Mouth	30%	36%	28%	20%	28%
Information in the News	30%	29%	40%	33%	45%
Annual Report	18%	29%	19%	30%	31%
Financial Statements	18%	13%	11%	15%	11%

Donor Advised Fund

National Trend, 2019



I	873,228 individual DAFs across the U.S. – 19.4% increase
II	\$122.8B in charitable assets in all DAFs – 16.2% increase
III	\$162,556 in average individual DAF size – 2.7% decrease
IV	\$38.81B in contributions – 7.5% increase
V	\$25B in grants to charities – 15.4% increase
VI	22.4% grant payout rate – above 20% for the last five years

Donor Advised Funds

By the Numbers: Comparison to Private Foundations



	2018 (\$B)	2019 (\$B)	% Change
Independent Foundations			
Charitable Assets	\$830.41	\$1,000.7	20.4%
Total Grant Dollars	\$54.03	\$54.35	.6%
Number	90,000	-	
Donor Advised Funds			
Charitable Assets	\$122.18	\$141.95	16.2%
Total Grant Dollars	\$23.72	\$27.37	15.4%
Number	731,607	873,228	19.4%

Donor Advised Funds

Features Comparison to Private Foundations



Private Foundation	Donor Advised Fund
Separate nonprofit	[sponsoring organization] Fund with Donor input on Grantmaking
<ul style="list-style-type: none">• Private Foundation• Deductibility:<ul style="list-style-type: none">-20% AGI for appreciated property-30% AGI cash• 2% taxation of investment income• Minimum payout of 5%• Detailed annual filing with IRS • Staff support or actively engaged volunteers needed to handle requests and grant making support• Trustees have complete control and responsibility of distributions and management of assets• Public record of giving	<ul style="list-style-type: none">• Public Charity• Deductibility:<ul style="list-style-type: none">-30% AGI for appreciated property-60% AGI cash• No taxation on income• No payout minimum• All filings handled by sponsoring organization • Donor recommends grants • Giving can be anonymous

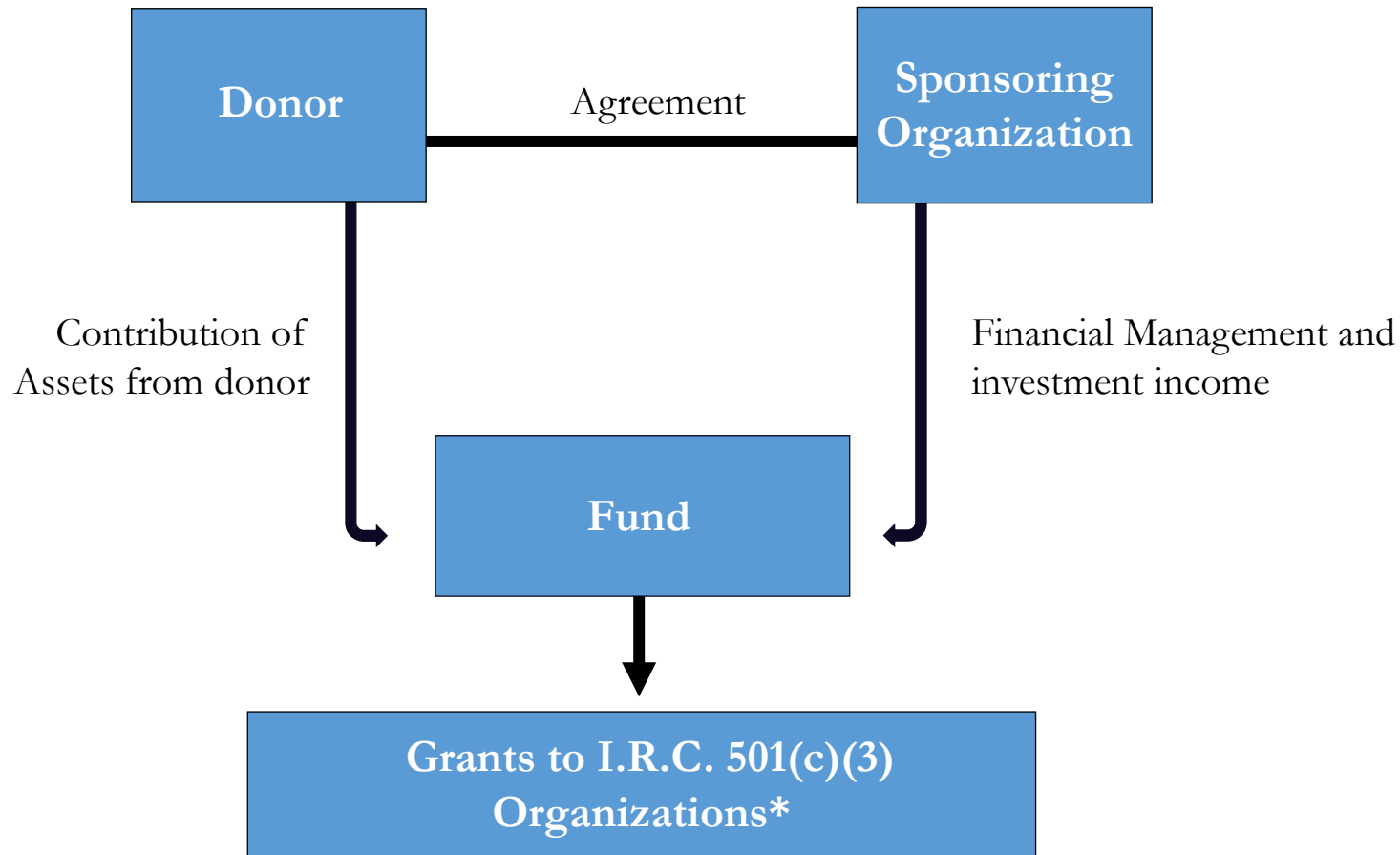
Donor Advised Funds



- **What is it?**
 - A fund set up by an individual or entity in an IRS Section 501(c)(3) public charity (“sponsoring organization”)
 - Irrevocable gift to the public charity
 - Donor or donor’s appointed representative(s) retain advisory privileges with respect to timing, amounts and organizations to receive distributions
- **Who can use them?**
 - Individuals
 - Companies
 - Non-profits
 - Private Foundations

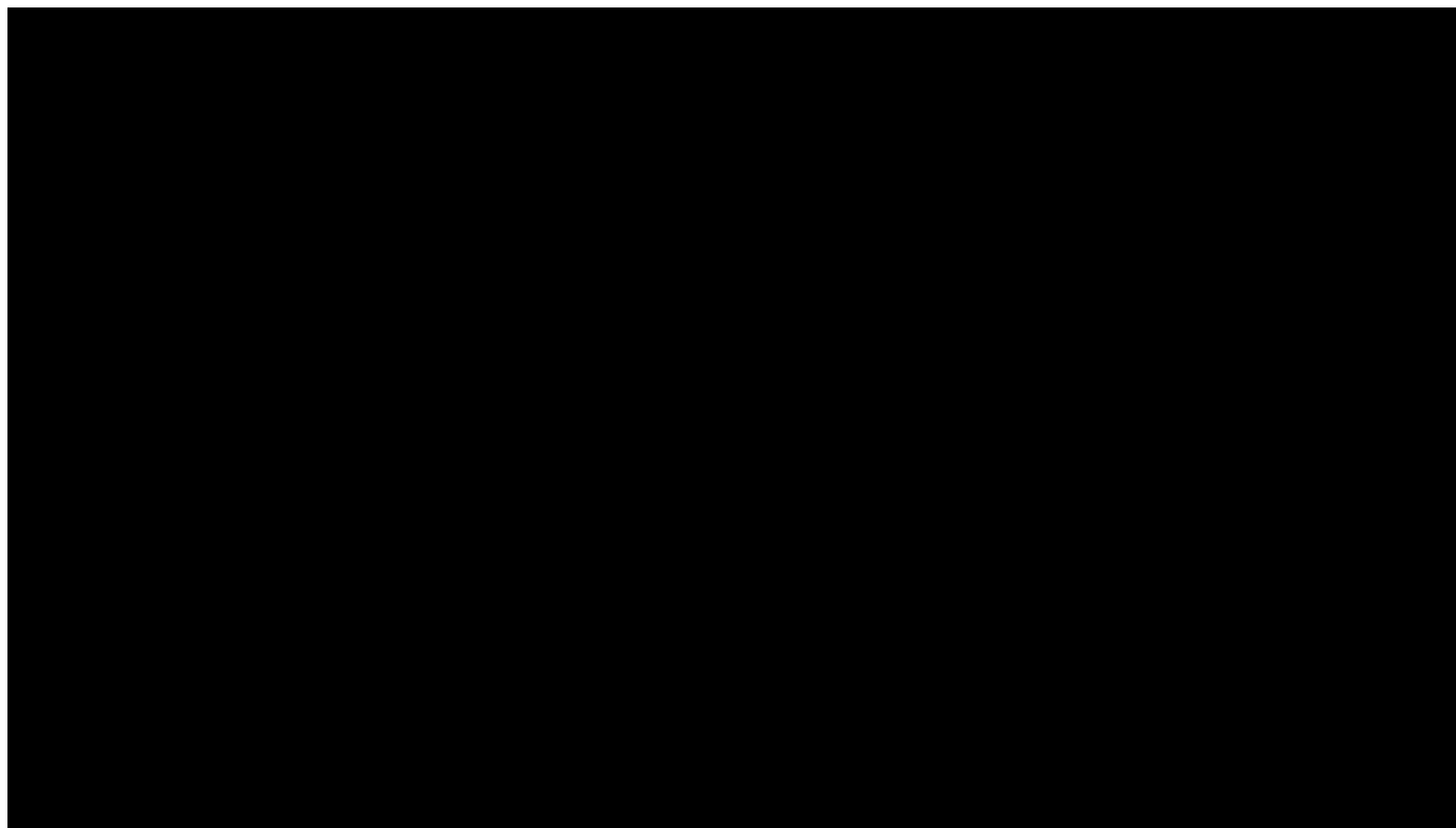


Mechanics of a Donor Advised Fund



*Federally mandated rules make grants to an entity other than a I.R.C. Section 501(c)(3) public charity problematic, so restrictions may apply.

Jimmy Kimmel Live!



Donor Advised Funds

Good Client Candidates

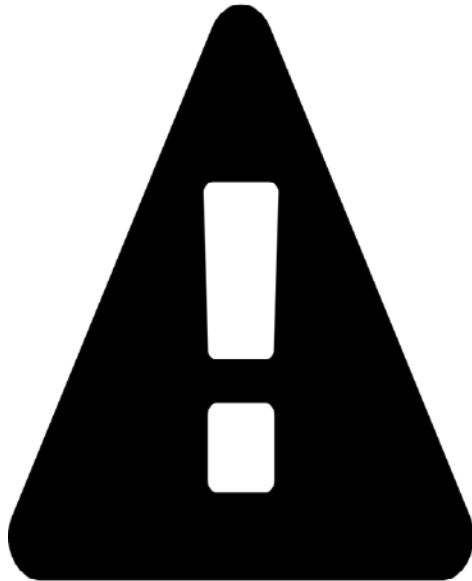


- Looking for **flexibility** and **high donor involvement**
- Could use an **income tax deduction** but don't know where they want to give currently
- Want to get the **next gen involved** in philanthropy
- Anticipating a **big wealth transfer event**



Donor Advised Funds

Limitations



- **No “more than an incidental benefit”**
- **IRS Notice 2017-73**
 - Fundraising events
 - Pledges
- **Past legislation**
 - Requiring a 5% payout
 - Payout over 5 years; otherwise, subject to excise tax
- **Latest legislation**
 - ACE Act

Sponsoring Organizations

Questions to Ask



- What kinds of assets will they accept?
- How much is needed to open a fund?
- What are the minimum dollars that can be granted out? How easy is the process?
- Are there grantmaking restrictions?
- What is the investment strategy?
- How can a donor access fund information?
- What are the fees?

Sponsoring Organizations

Advantages of a Community Foundation



- Investment and financial management expertise
- Grantmaking expertise with assigned advisor
- Investment in the community
- Connection to other donors, events – both social and educational



Trends and Best Practices

Leaving a Legacy



- Raising Family Philanthropists
 - Values + Causes = Mission Statement
 - Value of Research
 - Grant Reports
 - Family Meetings
- Impact Giving
- Issue-related Giving (aka rage philanthropy) & Anti-Hate Group Policies
- Socially Responsible and Racial Equity Investing



Current Trends in Charitable Giving



- **Greater Cleveland COVID-19 Rapid Response Fund** - Strategic deployment of resources to address urgent health, basic human services and economic needs of disproportionately impacted communities
- **Cleveland Black Futures Fund**
- **Greater Cleveland Digital Racial Equity Fund** – Digital Divide
- **Increase in interest in planned gifts**





CLEVELAND
Foundation