

Puget Sound BUSINESS JOURNAL

MAY 9-15, 2008

Charitable planning can provide a rewarding experience

Americans are very generous, giving billions of dollars to charities each year. This generosity, however, does not often extend to bequests to charitable organizations after death, and only a small percentage of Americans name a charity in their wills.

Very few Americans have estate-planning documents, and those who do typically focus on leaving an inheritance to family members.

Individuals often are hesitant to step outside the typical estate plan by making a bequest to a charity.

Charitable bequests, however, can be a rewarding part of the estate-planning process, and there are several benefits to naming a charitable organization in a will.

One of the biggest benefits to naming a charity in a will is that, in general, gifts to qualified nonprofit organizations are exempt from federal estate tax.

Saving on estate tax, however, is only one benefit to naming a charity in a will. Noteworthy nontax benefits include the ability to develop an estate plan that truly reflects a donor's interests and values, often creating a deeper lifetime connection with the charitable beneficiary. Another benefit is clear communication of the donor's goals to family members.

Charitable bequests also enable individuals to make significant gifts that they may not be able to make while alive.

There are a number of ways individuals can make charitable bequests through their estate-planning documents.

No matter how a bequest to charity is made, however, it should always be made in a way that accomplishes all of an individual's estate-planning objectives. Here are a few planned-giving options:

1. Outright gift. The easiest charitable

ESTATE PLANNING



Heidi
Orr

bequest to make is an outright gift to a charity in a will. The bequest can be for a specific sum of money, a specific type of property or asset (such as real property, stocks or tangible personal property), a specified percentage of the value of the estate or the entire estate.

2. Donor-advised fund. A donor-advised fund is a fund or account owned and controlled by a sponsoring organization (such as a community foundation) that administers the fund, invests fund assets and oversees distributions from the fund. An individual will typically establish a fund with the charity prior to death.

The individual can then make a bequest to the donor-advised fund in his or her will.

As with an outright bequest, a bequest to a donor-advised fund can be for a specific sum of money, a specific type of property or asset, a specific percentage of the value of the estate or the entire estate.

3. Charitable-remainder trust. A charitable-remainder trust is a trust in which an annual amount is paid to one or more individuals for life or for a set term of years, and the remainder is paid to one or more charities at the end of the trust term.

An individual can create a charitable-remainder trust in his or her will and direct a certain dollar amount to pass to the trust.

Typically, family members will receive the trust income and, upon termination of the trust, the remainder passes to a charitable organization.

4. Charitable-lead trust. A charitable-lead trust is a trust in which an annual amount is

paid to one or more charitable beneficiaries for a set term of years and the remainder is paid to one or more noncharitable beneficiaries at the end of the trust term.

An individual can create a charitable-lead trust in his or her will and direct a certain dollar amount to pass to the trust.

This is the reverse of a charitable-remainder trust, with one or more charitable organizations receiving the trust income for a set period of years and upon termination of the trust, the remainder passing to the individual's family members or other non-charitable beneficiaries.

5. Private foundation. A private foundation is a tax-exempt organization that is privately operated for the advancement of charitable purposes. Private foundations are typically created and controlled by individuals or families.

A charitable bequest can be made to a private foundation that has already been established, or a donor's will can direct the formation of a private foundation and dedicate a specific dollar amount to the private foundation.

Charitable planning can be a rewarding part of the estate-planning process.

While it can sometimes be difficult to clearly state what an individual truly cares about or wants to have happen to his or her estate after death, thoughtful preparation can result in an estate plan that meets all of an individual's goals and is a source of great personal satisfaction.

HEIDI ORR, attorney and shareholder at Lane Powell PC, focuses her practice in the areas of estate planning, estate and gift tax, probate and trust administration, and charitable-gift planning. Reach her at 206.223.7742 or orrh@lanepowell.com.