

CHARITABLE GIVING



Following is a primer on charitable giving for individuals and families, including a review of the more common types of charitable vehicles available to donors.

Charitable giving presents an opportunity for families and individuals to support a wide range of organizations, including social, educational, medical, environmental and religious causes. Philanthropic gifts to qualified organizations can also provide significant tax and estate planning benefits to the donor.

As with successful financial and estate planning, charitable giving begins with defining your objectives and asking some basic questions.

- What causes would you like to support?
- Do you want to make giving decisions individually or with your family?
- How important is it for you to be personally involved with the causes you support?
- Does a family legacy shape your charitable giving?

TYPES OF PHILANTHROPY

Charitable giving comes in many forms, often shaped by the needs and aspirations of the donor.

Family Giving

Family giving allows families to support causes to which they are drawn and to express their ideals through giving. Parents can foster

philanthropy in their children by talking about the children's interests and discussing which organizations to support. Some families meet informally to discuss how to allocate charitable contributions. A family may even create a mission statement outlining philanthropic goals that can be passed to future generations.

Entrepreneurial Influence

After building or selling a successful business, entrepreneurs sometimes shift their attention to philanthropy. They may find that directing their talents to people and causes in need can be as fulfilling as creating wealth.

In the 1990s, venture philanthropy came into prominence as a means for retired entrepreneurs and early retirees to become more involved with nonprofit organizations, not only by providing financial support, but also by using their professional skills to shape the goals of those organizations.

Inheritors as Philanthropists

Inheritors of significant wealth often choose to become involved in philanthropy, contributing to their communities as well as causes of interest nationally or worldwide. Children of wealthy families may pursue their educations with plans for careers in public life or philanthropic causes, often helping to carry on a family legacy. Their efforts may even become the foundation for the work of major public charities.





CHARITABLE GIVING VEHICLES

Many charitable strategies and vehicles are available, each with various purposes and advantages.

Choosing the most advantageous strategy for your goals is critical. A summary of the more commonly known charitable vehicles is provided below.

Outright gifts of cash or appreciated, publicly traded securities are the most basic. The donor can make a gift to any qualified 501(c)(3) charitable organization, which includes non-profit religious, educational, scientific or social service organizations.

Split gifts allow the donor to make a charitable gift, but still benefit from the gifted assets. The tax benefit you may receive is only a portion of the total contribution, reduced by the value of the noncharitable interest. Many split gifts are in the form of a trust. The amount of the gift to charity passing to these irrevocable trusts may qualify as a current deduction for income tax purposes and may not be taxable in your estate. The more common types of split gifts include:

- **Charitable gift annuities** are vehicles in which the donor transfers cash or an asset to a charity which, in turn, pays the donor a fixed annuity for life.
- **Charitable remainder trusts (CRT)** provide a payment stream to the donor, or to a designated beneficiary, for a period of years or for the beneficiary's lifetime. After the beneficiary's death, the remainder is distributed to one or more charities selected by the donor.

- **Charitable lead trusts** are vehicles in which the donor places property in a trust that provides a payment stream to a charity for a period of years. Upon completion of the specified period, the remaining trust property is transferred to the donor's ultimate non-charity beneficiary. Some charitable lead trusts provide a current income charitable deduction and some do not.
- **Pooled income funds** allow the donor to receive income from the pool for life, after which the remainder goes to a charity. Set up by charities such as universities, these vehicles allow the donor to receive an income tax deduction immediately for the value of the property passing to the charity, while continuing to receive an income stream from the contribution.

Private Foundations

Private or family foundations have traditionally been the vehicles of choice for wealthy families to direct their largesse; they have advantages and disadvantages. On the plus side, private foundations allow a family to retain control of a foundation's assets, while using those assets to support particular causes. Disadvantages include greater administrative requirements and higher costs necessary to support accountants, lawyers and foundation employees.

A family foundation can take many forms. Most private foundations use their assets to support 501(c)(3) organizations, although foundations can also be in the form of operating foundations, which use funds to operate a charitable entity. Foundations can have a theme or focus area, such as supporting child development in a particular community, or have more general charitable purposes.

Family members can take on leadership roles in the foundation through participation on boards or trusteeships. These roles offer families lasting opportunities to serve their communities.

Donor-Advised Funds

A donor-advised fund allows the donor to make an irrevocable philanthropic contribution to a fund, from which gifts can be recommended immediately or over time to particular charities. Donor-advised funds are run by qualified 501(c)(3) public charities such as community foundations or charitable organizations attached to private financial institutions. These vehicles provide advantages similar to those of private foundations, but are easier to establish and less costly and time-intensive to administer.

For information on Fiduciary Trust's donor-advised fund, Fiduciary Trust Charitable Giving Fund, please call Thomas Rosen or Christopher Gleason at (212) 632-3000.

TAX TREATMENT OF CHARITABLE GIVING

From a tax and estate perspective, charitable giving vehicles have varying degrees of advantages and disadvantages. Determining which vehicle is appropriate for your circumstances can be facilitated by your tax, estate planning or financial advisor. Consideration should be given to all forms of tax, including capital gains taxes, income taxes, and gift and estate taxes.

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www.ftci.com

Fiduciary Trust Company International

600 Fifth Avenue
New York, New York 10020
tel (877) 384-1111

**Fiduciary Investment Management
International, Inc.**

1133 Connecticut Avenue, N.W.
Suite 330
Washington, D.C. 20036
tel (888) 621-3464

Fiduciary Trust International of the South

200 South Biscayne Boulevard
Suite 3050
Miami, Florida 33131
tel (800) 618-1260

Fiduciary Trust International of the South

500 East Broward Boulevard
Fort Lauderdale, Florida 33394
tel (954) 527-7307

Fiduciary Trust International of California

444 South Flower Street, 32nd Floor
Los Angeles, California 90071
tel (800) 421-9683

Fiduciary Trust International of California

One Franklin Parkway
Building 910, First Floor
San Mateo, California 94403
tel (877) 284-2697

Fiduciary Trust International of Delaware

1220 North Market Street
Wilmington, Delaware 19801
tel (302) 429-0910