Thrivent
Metro DC Associates
Mary Lou Marshall, FIC
Financial Consultant
314 Hanford Ct
Sterling, VA 20164
703-444-9576
marylou.marshall@thrivent.com

How can my gift benefit me and the charity?

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Giving basics

You're free to give almost any type of property to whatever organization you choose. But in order to obtain the tax benefits associated with charitable giving, contributions need to be made to qualifying tax-exempt organizations that have been organized in the United States and meet certain criteria. In addition to common charitable organizations that operate exclusively for religious, charitable, scientific, or educational purposes, you may give to veterans' posts, certain fraternal orders, volunteer fire departments, and civil defense organizations but not politically active groups.

The income tax deduction for your charitable gift will be determined in part by the type of property you give and the type of charity receiving it.

With an outright gift, you might receive an immediate income tax deduction that could equal the value of your gift, up to certain limits. You can carry forward any gift amount that exceeds these limits for up to five years. Noncash gifts are more restrictive.

In addition to outright gifts, planned giving offers a way to make larger gifts than you might otherwise be able to do. For example, by donating highly appreciated assets (such as stocks) during your lifetime, you may be able to help reduce or avoid paying capital gains taxes, thus potentially enhancing the value of your gift to the charitable organization and increasing your tax savings.

More gifting strategies

A gift of life insurance enables you to donate more than you might currently have available and results in a larger future gift to the charitable organization. If the charity is named as owner and beneficiary of the policy, you can receive an income tax deduction for the premiums you pay, within certain limits.

With a charitable lead trust, you place money or income-producing assets in the trust. The charitable organization receives regular payments from the trust for the duration of the trust. At the end of the trust period, the remaining assets are paid to you or to your heirs. This can help reduce, or in some cases even eliminate, estate taxes on appreciated assets that are eventually transferred to your heirs.

Using a charitable remainder trust, you donate property to the trust. You receive regular payments from the trust for a specific number of years or your lifetime. You are generally taxed on distributions to you from the trust. At the end of the trust period, the remaining assets are paid to the charitable organization. You may also qualify for a current income tax deduction on the estimated present value of the remainder interest that will eventually go to charity. And even though you cannot take your gift back once it's in the trust, you can change the charity that will eventually receive your gift.

Giving strategically can benefit both you and the charitable organization you choose, and could potentially benefit your heirs. A properly planned gift might enable you to realign your investment portfolio, help diversify your holdings, increase your cash flow — and help leave a greater legacy.

Whatever gifting strategy you choose, planned giving can be very rewarding. It's wonderful to see your gift at work and to receive tax benefits as well.

While trusts offer numerous advantages, they incur up-front costs and ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You might consider enlisting the counsel of an experienced estate planning professional and your legal and tax advisors before implementing such strategies.

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