



Planned Lifetime Giving

By Fay Blix, Esq.

Many individuals prefer to participate in planned charitable giving while they are still living. It allows them to actually see the positive results of their generosity and to receive a personal thank you from grateful AFSC staff and participants. Tax benefits can also be achieved from lifetime gifts as well as those given after death. During these tough economic times, several substantial lifetime gifts to AFSC could make a huge difference. It can be a win-win situation for everyone. Some will want to incorporate both lifetime major giving and estate bequests as part of their life strategy because they specifically want to feel present joy as well as the satisfaction of leaving a legacy. We welcome both kinds of gifts.

One of the most common methods of planned lifetime giving is the gift of cash. This would simply be writing a check made payable to Alzheimer's Family Services Center or giving an instruction to AFSC to charge your credit card for the amount you wish to give. Such a cash gift can qualify as an income tax charitable deduction if you itemize your deductions. (Usually one itemizes deductions when the total of your itemized deductions is greater than the standard deduction the IRS allows everyone each year.) The annual limitation on the use of charitable deductions claimed is fifty percent (50%) of your adjusted gross income. (Adjusted gross income is your income after certain allowable adjustments such as IRA contributions, spousal support and moving expenses.) For most of us, this means we can deduct the full value of the gift given to AFSC. However, charitable deductions in excess of the fifty percent (50%) limit can be carried over and used for up to an additional five years beyond the year of the gift.

If you predict that your estate will be subject to estate tax at the time of your death, the amount you give now will be removed from the value of your future estate so that your federal estate tax could be reduced by this lifetime generosity. (Currently, federal estate tax could be repealed for 2010, but Congress is considering several bills to reinstate these taxes. No one knows what the new laws will be, but everyone is fairly sure federal estate tax will not be gone forever!)

For documentation, the IRS accepts cancelled checks for any checks less than two hundred and fifty dollars (\$250). However, for those gifts greater than two hundred and fifty dollars (\$250), the charitable organization must provide the giver (donor) a written receipt evidencing the value of the gift. AFSC will gladly provide you the necessary verifications for your income tax returns.

If you want AFSC to receive your charitable gift with the least possible delay, writing a check or charging your credit card makes the most sense and gives you the most immediate satisfaction.

Some individuals prefer to leverage their giving in support of AFSC by donating stocks that have appreciated in value over the years as this has a greater tax benefit for the donor than simply giving cash. Such a gift of stock provides an immediate tax deduction and allows the donor to avoid capital gains tax. (Capital gains is the profit made when the investor sells an asset for a higher price than the purchase price. When an asset has been held less than one year from the date of purchase, the gain is considered short term capital gain, and such gain is taxed at ordinary income tax rates. When an asset has been held for more than one year, the gain is considered long term capital gain and is usually taxed at a lower rate than ordinary income in order to encourage investment in the economy and the entrepreneurial spirit. The federal long term capital gains tax rate is fifteen percent (15%) for most assets. California taxes capital gains at the same rate as ordinary income with the top

bracket being nine and three-tenths percent (9.3%). Capital gains tax is only triggered when the appreciated asset is sold.)

A charitable tax-exempt entity does not have to pay capital gains tax when it sells donated stock. Thus, instead of selling the stock, paying the capital gains tax, and donating the cash proceeds to AFSC, when the stock is donated directly to AFSC, the donor is able to get a charitable deduction for the gift, avoids paying capital gains tax and AFSC actually receives a greater gift. The maximum charitable deduction allowed is thirty percent (30%) of your adjusted gross income. However, like cash charitable deductions, the excess deductions can be carried over and used for up to an additional five years beyond the year of the gift of stock. It is a great way to give more to charity and pay lower taxes at the same time.

The best choice is to donate a stock that would subject you to the highest capital gains tax if you were to sell the stock today. Another consideration might be to give stock of a company whose principles and practices you no longer support. It is usually best for you not to donate stock that has lost value from the time you purchased it. Tax wise, it would be better for you to sell that depreciated stock, deduct your capital loss on your income tax return and then donate the net proceeds to AFSC and take the charitable deductions on the cash gift.

If you decide that you would like to donate appreciated stock to AFSC, it is important for you to seek advice from your financial advisor and AFSC in order to make the transfer properly. The tax deduction you may take is the fair market value of the stock on the date you make your donation. (Fair market value is the average of the high and low sales price on the date the donation is made.) AFSC usually accepts all publicly traded stocks and bonds, but you may wish to discuss your gift with us before you make a final decision. Gifts of appreciated securities will benefit both you and AFSC. We hope you will review you stock portfolio to see if donating any of your stock holdings would help AFSC at this critical time.



About the Writer

Fay Blix, a certified elder law attorney by the National Elder Law Foundation, operates her own Elder Law Center in Laguna Hills, CA and has been an AFSC dedicated board member for 4 years. Fay has been specializing in elder law since 1989 and has been working with community senior organizations from the beginning. She is fiercely committed to helping others and has been recognized for her efforts by the Alzheimer's Association with the Maureen Reagan Outstanding Advocate Award.