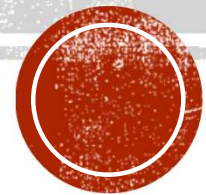


EFFECTIVELY GUIDING CLIENTS IN PHILANTHROPY

It's Hard Work Giving Away Money



PHILANTHROPY

- Desire to promote the welfare of others
- Activity designed to improve human welfare

This definition can apply to both individuals (family) and Organizations (charity)



CHARITY VS. PHILANTHROPY

Charity

Focused on providing
immediate relief

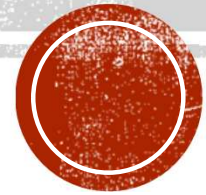
Philanthropy

Focused on Helping People
and solving their problems
over the long-term



IT'S DIFFICULT GIVING AWAY MONEY

- Making money takes business thinking*
- Giving away money takes philanthropic thinking*



CREATING A LEGACY

A.K.A -- Intentional Giving



PHILANTHROPY DECISION-MAKING GROUND RULES

- May be the most challenging exercise you will encounter
- Estate Design, Not Planning (tax and structure)
- Right Given by the Government (like voting)
- Requires different thinking – not income but net assets
- Revocable – don't procrastinate
- Irrevocable – take advantage of income tax benefits



TELL YOUR STORY

Transferring Values Not Money



DEFINE YOUR VALUES — THE 5 CAPITALS

- ***Financial Capital*** – wealth, assets, material things, our stuff
- ***Human Capital*** – personal character
- ***Intellectual Capital*** – education, knowledge, wisdom
- ***Social Capital*** – relationships, social network, care and concern for others
- ***Spiritual Capital*** – Faith, Religion



DECIDING WHO TO LEAVE MONEY TO? FAMILY? CHARITY?

- Rank the 5 Capitals in order of priority, 1 thru 5 (1 most important, 5 less)
- List Individuals you want to benefit
- List Charities or Charitable Causes you want to benefit
- Answer the Question: ***How does each align with my values?***



ASK FOLLOWING QUESTIONS ABOUT EACH BENEFICIARY:

- *What do I want to ACCOMPLISH?*
 - Medical, education, housing
 - *Wirth Family Trust Story*
- *What do I want to Guard Against?*
 - *Are they ready for my money?*
 - *Average Loss of Wealth – 70% first generation; 90% next generation*
 - *Shaquille O'Neal message to his children*
 - *Story of Father with 3 children – one has issues*
- *How Much is enough?*
 - *Buffet – “enough so they feel they can do anything but not so much that they could do nothing.”*
 - *Amount to assist and encourage self-sufficiency yet not ruin desire for personal achievement.*
 - *Consider the differences and needs of each child*
 - *Don't inhibit non-financial objectives for heirs*



ADDITIONAL QUESTIONS FOR CHARITABLE BENEFICIARIES:

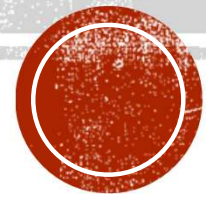
- What do they envision the organization doing in 15 to 20 years?
 - Short-term goals?
 - Long-term goals?
 - If the organization has a vision and commitment to achieving that vision the money will follow; too many organizations say they will develop a long-term vision when they get the money.
- How do they handle gifts from trusts and estates?
- Do they have an endowment?
 - Endowment is defined as any fund that is not immediately expendable
 - Boos Charitable Trust Grant Example
- Outright or Endowed? Depends on organization's vision and ability to administer over the long-term (structure and commitment to maintain donor intent)



CONTROL

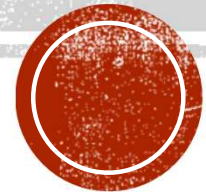
The question is not, “who do you trust?”

But, “who do you trust with your money?”



ONLY MAKE IRREVOCABLE GIFTS TO SAVE TAXES

Income, Capital Gains, Gift and Estate Taxes



SPLIT-INTEREST GIFTS

USE TO SIMULTANEOUSLY ACHIEVE PERSONAL, FAMILY AND PHILANTHROPIC GOALS

- **Charitable Gift Annuity Contract**
 - Issued by charity
 - Income for Life (a portion is tax-free)
 - Charitable Contribution Income Tax Deduction
 - Partial Capital Gains Tax avoidance
 - Residual Value for Charity
- **Charitable Remainder Trust**
 - Trust Agreement
 - Tax-exempt
 - Income for life or terms of years up to 20
 - Charitable Contribution Income Tax Deduction
 - Avoid Capital Gains Tax
 - Remainder Value to Charity



SPLIT-INTEREST GIFTS

- **Pooled Income Fund Trust**
 - Trust Agreement – can only be created by a charity
 - Taxable but doesn't pay tax
 - Income for life
 - Charitable contribution income tax deduction
 - Avoid capital gains tax
 - Remainder Value to Charity
- **Charitable Lead Trust**
 - Trust Agreement
 - Taxable Trust
 - Income to Charity for a period of years
 - Reverting – income tax (deduction)
 - Non-reverting – gift and estate tax (deduction)



CRT, CGA, PIF COMPARISON

\$1 MILLION CASH CONTRIBUTION, INDIVIDUAL AGE 79

- **Charitable Remainder Trust**
 - Payout Rate 5% -- \$50,000 per year (may vary and can select higher rate)
 - Ordinary Income Tax
 - Charitable Deduction -- \$662,840
 - May avoid capital gains tax
- **Charitable Gift Annuity Contract**
 - Payout Rate 6.6% -- \$66,000 per year fixed
 - Ordinary Income Tax; Tax-Free Portion
 - Charitable Deduction -- \$485,320
 - Partial capital gains tax avoidance
- **Pooled Income Fund Trust**
 - Payout Rate variable based on income earned – ordinary, realized short and long-term capital gains
 - Ordinary Income Tax
 - Charitable Deduction -- \$871,490
 - May avoid capital gains tax



CHARITABLE FOUNDATIONS

GREAT WAY TO TRANSFER VALUES AND INVOLVE FAMILY

- Key Questions
 - Do you want to do the charitable work or grant funds to organizations who do the work?
 - What do you want to accomplish?
 - Why not give the funds directly to the organization(s)?
 - Do you want to involve your family? Give family member a job?
- Do the work – Create plan to establish and sustain
- Grant Funds
 - **Create a Charitable Fund** at 60% type Public Charity that grants funds to other charities (i.e., Community Foundation, etc...)
 - Designated
 - Field of Interest
 - Advised (a.k.a., Donor Advised Funds)



CHARITABLE FOUNDATIONS

GREAT WAY TO TRANSFER VALUES AND INVOLVE FAMILY

- Grant Funds (continued)
 - **Create a Charitable Fund** within a 60% type Public Charity that is performing the work
 - Designated for a program
 - Field of Interest for types of programs
 - Advised (a.k.a., Donor Advised Funds)
 - **Create a Charitable Private Foundation** (30% type)
 - Trust form vs. Corporate form
 - Subject to Private Foundation rules, regulations and excise taxes
 - Greater control but not private
 - **Create a Charitable Lead Trust**
 - Grant funds to charities each year
 - Reverting or non-reverting
 - **Create a Supporting Organization** – established by 60% type Public Charity

