

# Planned Giving: Many Options

Many of us make a careful habit of annual charitable giving: each year we give a generous amount of cash or marketable securities to our favorite charities. But we shouldn't neglect planned giving—which refers to making a gift from assets accumulated over a lifetime. When it comes to planned giving there are many options and, in this piece, we'll do a quick overview of some of the best options. Our aim is to make you aware of the broad array of possibilities. However, please bear in mind that all of the planning vehicles we'll be talking about are complex and subject to a myriad of IRS rules. So make sure you consult with your attorney or other advisers.

Many people prefer the simplicity of a bequest. With a bequest, your will (or will substitute) simply directs that Cato, or another charity, receive a certain amount of assets or a percentage of your assets. For example, your will might say, "I give the sum of \$100,000 to the Cato Institute."

However, other people might prefer the idea of making a lifetime gift, but with a retained flow of income. For these individuals, charitable remainder trusts work well. With a charitable trust you transfer property irrevocably to a trust: the trust then pays you or your designated beneficiary a flow of income for life or a term of up to 20 years. When the trust terminates, the remaining assets pass to the named charity.

The flow of income can be in the form of an annuity: that is, a percentage of the value of the assets at the time of transfer. For example, a \$100,000 CRAT (charitable remainder annuity trust) with a 5 percent payout would pay you \$5,000 a year for life. The lifetime

flow of income can also take the form of a "unitrust" interest; this is a percentage of the value of the assets as revalued each year. For example, let's consider a CRUT (charitable remainder unitrust) with a 5 percent payout—the trust was initially funded with \$100,000 but the value has risen to \$125,000. In this case, the annual flow would be \$6,250 (5 percent times \$125,000).

When established during life, both annuity trusts and unitrusts generate an income-tax deduction. Given the inherent protection they offer against inflation, unitrusts are the more popular of the two options.

Charitable lead trusts are another popular planning device. These work for people who want to make a gift to charity but who also want to ensure that their assets ultimately go to family members. So in this case, assets are transferred to a trust whose terms specify that for a term of years—say 5, 10, or 20 years—all income from the assets is to be paid to charity. At the end of the term, the assets will go to family members (or others) as directed by the trust. Lead trusts can be established during life or at death via your will.

Finally, don't forget about your retirement assets, such as rollover IRAs and the like. Charities can be the designated beneficiaries of these assets. Indeed, this is often a highly tax-effective choice, as retirement assets pass to charity free of income taxes. By way of contrast, when retirement assets pass to family members, they are always subject to income taxes—and possibly estate taxes.

For more information about these and other planned gifts, please contact Cato's director of planned giving, [Gayllis Ward](#), at [gward@cato.org](mailto:gward@cato.org) or at (202) 218-4631. ■

