Community Foundation of the Valleys
Tax Planning with Charitable Contributions
Inventory of Planning Techniques

	Technique	Planning Opportunity
1	Contribute cash to Donor Advised Fund (DAF) of a community foundation like Community Foundation of the Valleys, www.valleygiving.org	Maximize tax benefit by contributing cash in a high tax year and then disbursing to various charities over a period of years. Better than a Private Foundation. Gift is fully deductible in year of contribuiton, subject to a 60% AGI limitation. Any excess gift would carryover for 5 years
2	Contribute appreciated assets to a DAF, such as securities or more complex assets like real estate	Same as 1 above, but double tax benefit because avoid tax on built-in gain. Value of asset is fully deductible in year of contribution, subject to a 30% AGI limitation.
3	Contribute appreciated assets to Charitable Remainder Trust (CRT) with DAF as remainderman. Donor receives annuity of say 7% per annum from CRT for say 20 years before transferring remaining assets to DAF.	Avoid tax on subsequent sale of asset. Present value of the gift to charity is much less than the tax avoided of sale of appreciated assets, meaning that charitable gift costs donor nothing and he/she saves taxes.
4	Use CRT in 3 above, but hold assets in LLC owned by the CRT.	Same as 3 above, except that timing of annuity can be altered to suit needs of donor (NIMCRUT).
5	Use CRT in 3 above, but purchase life insurance to replace what would otherwise go to children.	Same as 3 above, except that children inherit the same amount that they would have received had CRT not beed used. Also, defers income tax on annuity until funds are distributed to donor, allowing tax free compounding of income earned.
6	Contribute cash to a Charitable Lead Trust (CLT) with a DAF as, say, 5% annuitant for say 10 years-	
a	Use Grantor CLT that reverts to donor at end of term or that transfers remaining assets to children at end of term.	Creates a very large charitable deduction in first year based on present value of gifts over 10 years using low AFR discount rate, but donor pays income taxes on income earned by CLT. Reversion back to donor at end of term may be almost equal to initial contribution. Alternative transfer to children creates a gift that uses much less gift tax exclusion than a direct gift to children. However, no opportunity to avoid capital gain on contributed assets.
b	Use Non-Grantor CLT that transfers remaining assets to children at end of term. Set up CLT either while living or at death (testamentary).	No charitable deduction or income tax consquences to donor (CLT get charitable deduction and pays income tax on income over life of trust). However, CLT uses much less gift/estate tax exclusion on transfer to children due to low AFR discount rate, yet actual growth will considerably exceed AFR rate. Testamentary CLT reduces income tax for CLT due to step-up in basis at death. More powerful than a bequest because both charity and children receive assets.
7	Bequest to charity (DAF?) pursuant to will or living trust	Reduces estate tax if estate is valued at more than $12 million (adjusted for inflation). Also, defers gift until death when donor is confident that he/her will no longer need the funds. DAF may not be the best vehicle because donor needs to decide which charities will benefit prior to his/her passing. No income tax savings.
8	Make charity (DAF?) one of the beneficiaries of your retirement plan or IRA	Same as 7 above, but with the added benefit of no income tax related to the plan distributions received by charity.
9	Contribute home to charity (DAF?) with retained life estate (right to live in home until death)	Claim immediate charitable deduction for a large portion of the home's value, depending on your life expectancy. Avoid income tax on sale of home. DAF may not be the best vehicle because donor needs to decide which charities will benefit prior to his/her passing.