



CHARITABLE GIFT FINANCING FEASIBILITY PROPOSAL

For: **SAMPLE CASE – \$2MM AGI**

[Year 2024]

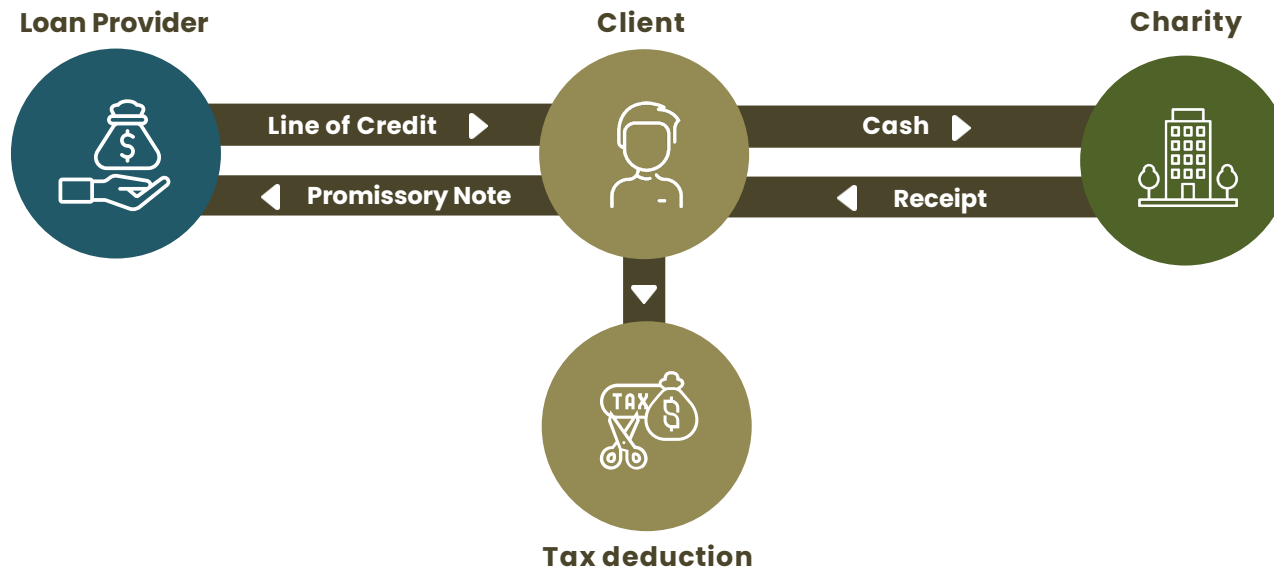
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INTRODUCTION

Charitable Gift Financing Blueprint is a financial strategy enabling charitably inclined, high-earning, high net worth individuals to make tax-deductible cash donations using specialized third-party financing.

The IRS has ruled that when debt to a third party is used to make a charitable contribution, the taxpayer is entitled to a charitable contribution deduction under IRC §170(a) in the year the gift was made, and the deduction may not be postponed until the taxpayer pays the indebtedness. **[Rev. Rul. 78-38, 1978-1 C.B. 67, Granan v. Comm. 55 T.C. 753 (1971)]**



KEY BENEFITS OF CGF



- ✓ Large Cash Donation using Third-Party Loan
- ✓ Minimum Out-Of-Pocket Cash Outflow
- ✓ A Grantor Trust = Borrower
- ✓ Tax Liability Reduction

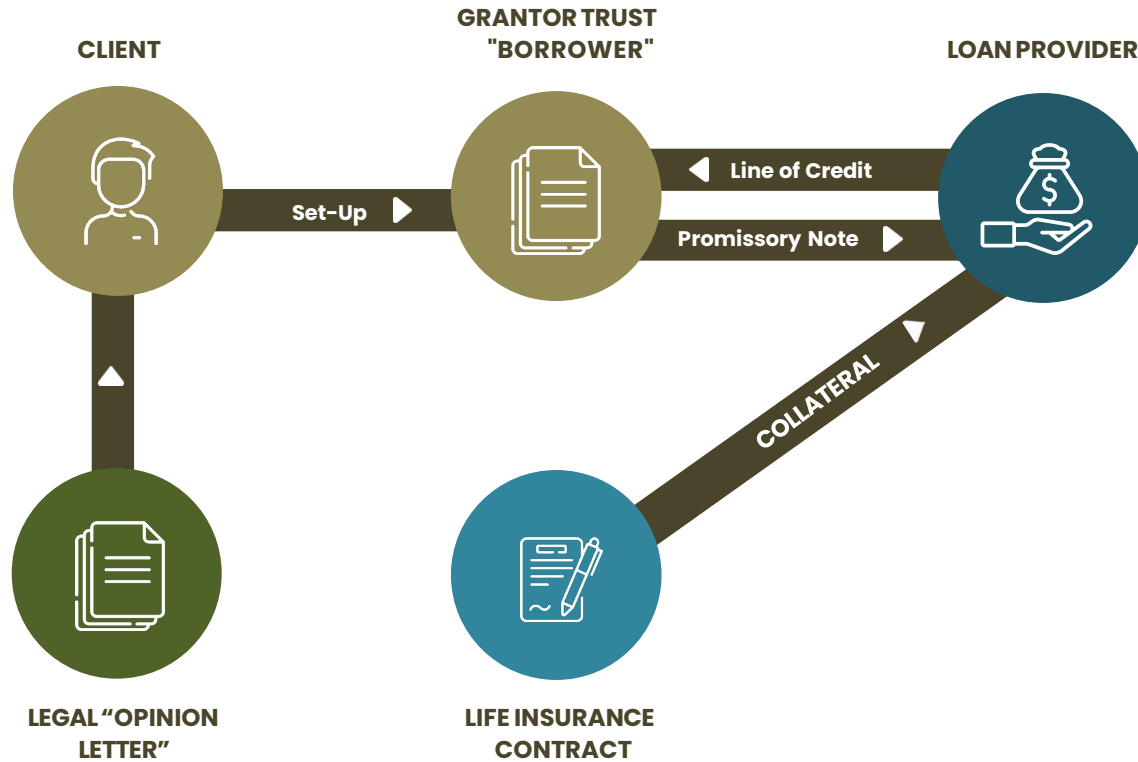


- ✓ Loan origination
- ✓ Collateral = Life Insurance
- ✓ Cash transfer directly to charities
- ✓ Perpetual Gifting through loans

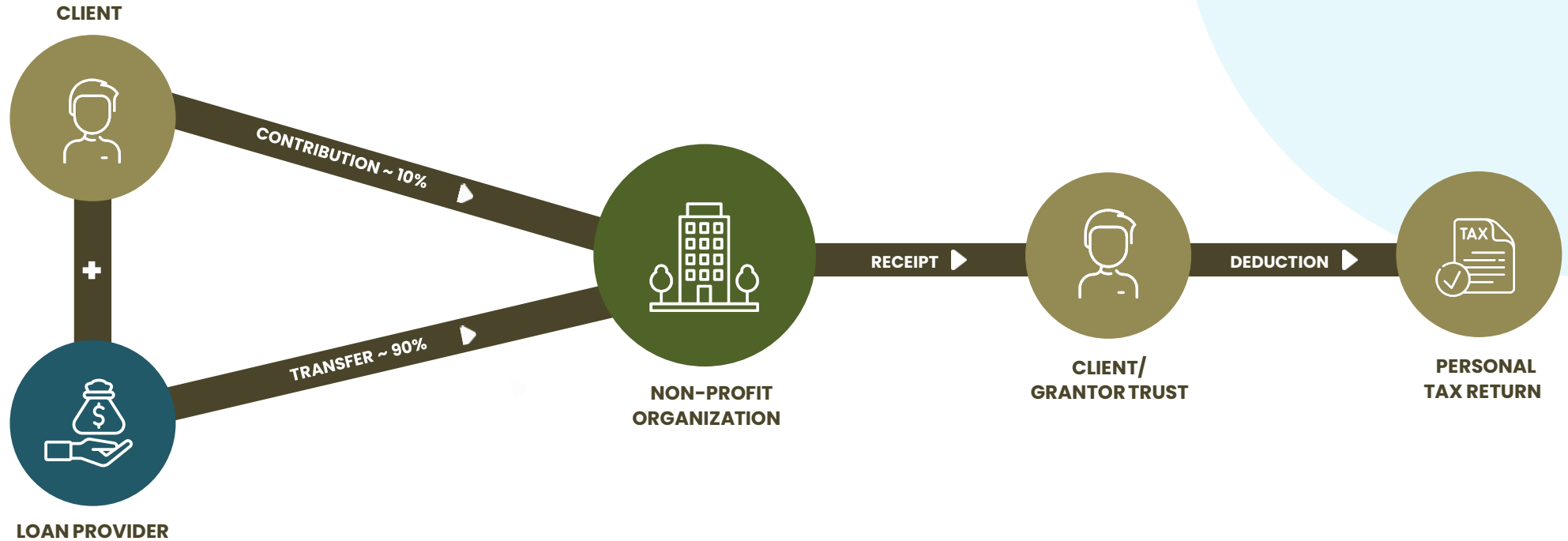


- ✓ Funding
- ✓ Gift Receipt
- ✓ Public Benefits
- ✓ The Economic Effect

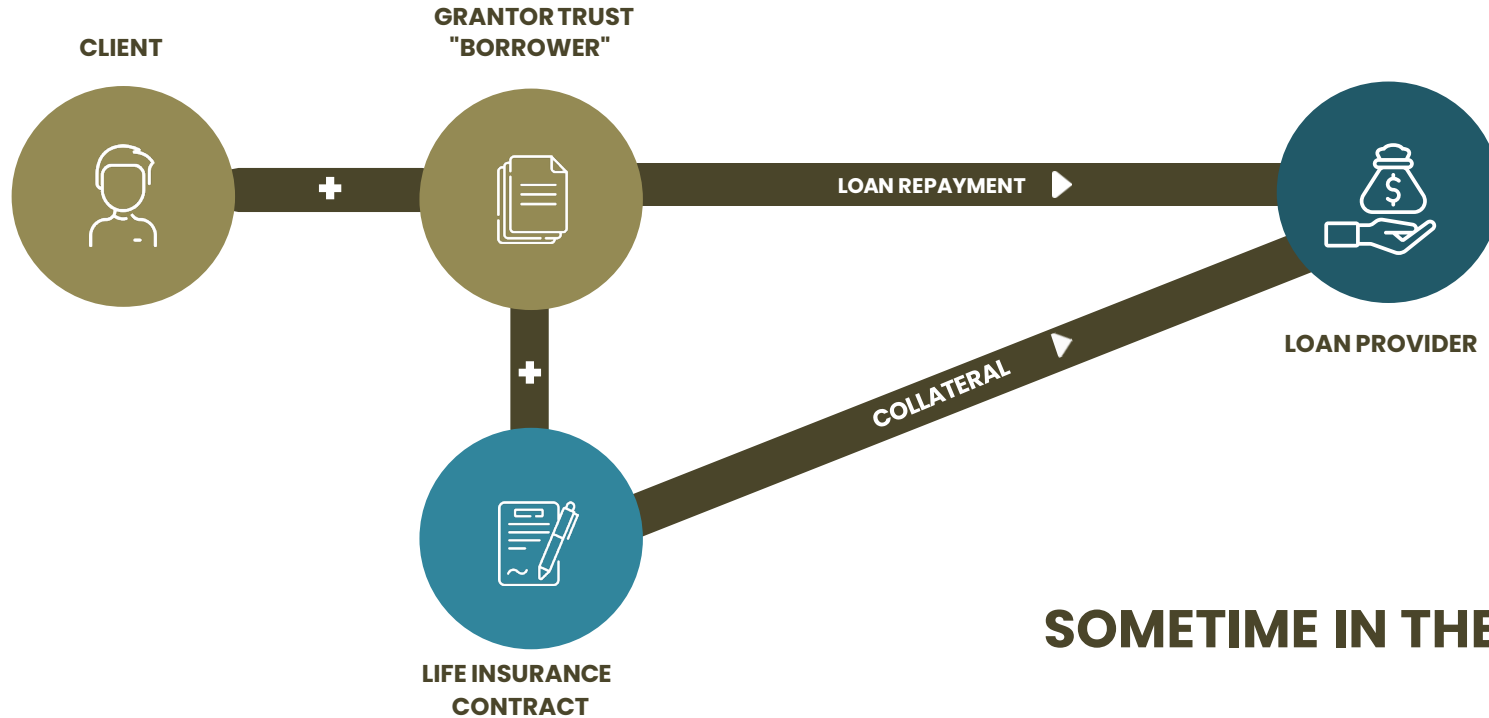
THE STRATEGY – SUMMARY



THE STRATEGY – CONTRIBUTION & DEDUCTION

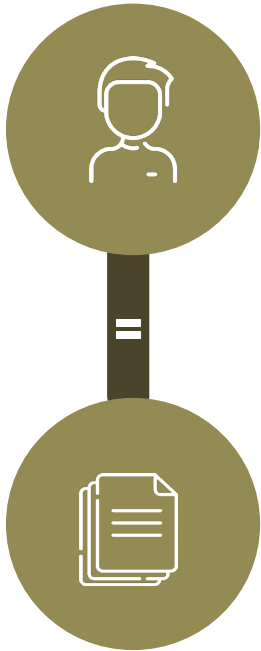


THE STRATEGY – LOAN REPAYMENT



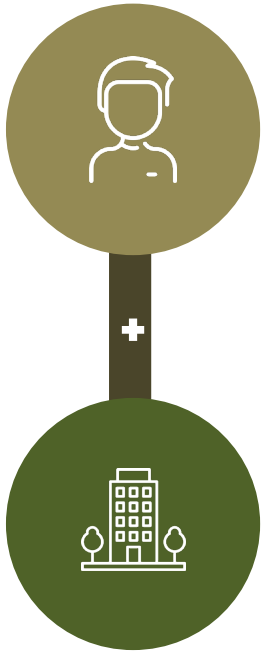
SOMETIME IN THE FUTURE

TAXATION OF GRANTOR TRUST



- ☑ "Grantor trust" is a term used in the Internal Revenue Code to describe any trust over which the grantor or other owner retains the power to control or direct the trust's income, debt or assets. IRC§ 673, IRC§ 676(a)
- ☑ Flow through to the taxpayer/grantor and the grantor rather than the trust will receive the deductions and/or pay taxes. IRC§ 671, Treas. Reg. §1.671-2
- ☑ Any contribution of assets to the trust will not result in gift tax. IRC § 2511(c)
- ☑ The grantor trust is disregarded as a separate tax entity, and all deductions or income will be attributed to the grantor. Treas. Reg. §1.671-2(c)
- ☑ The charitable deduction will be attributable to the grantor and be governed by IRC §170, Treas. Reg. §1.671- 2(c)
- ☑ PRIVACY

CONTRIBUTION LIMITS FOR A GIFT



- ✓ Tax-Deductible up to **60%** of the contribution base (Adjusted Gross Income)
- ✓ Disregarding any Net Operating Losses
- ✓ The Excess amount can carryover for 5 years (Reg. 1.170A-10(b))
- ✓ Each State may set their own different tax-deduction limits (ex. CA = up to 50%)

ECONOMICS – CURRENT SITUATION

Name:	SAMPLE CASE
Employment:	W2
Tax Return Filing:	JOINT
Adjusted Gross Income:	\$2,000,000
Tax Rate (Federal & State):	45%
Tax Filing State:	CA

Personal Income & Tax

Adjusted Gross Income (AGI)	JOINT	\$2,000,000.00
(-) Estimated Itemized Deductions		\$ (50,000.00)
Taxable Income	JOINT	<u>\$1,950,000.00</u>
Estimated Taxes		
Federal & State (Effective)		\$ (877,500.00)

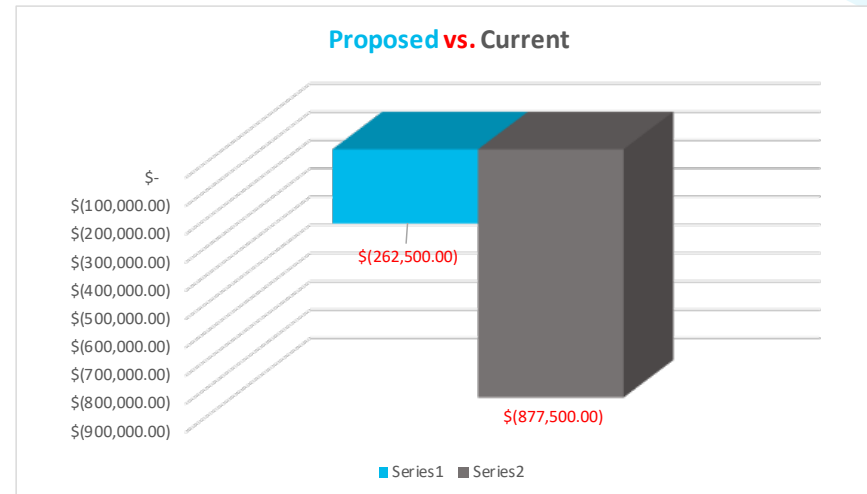
ECONOMICS – FEASIBILITY PROPOSAL

PROPOSED

Adjusted Gross Income (AGI)		JOINT	\$2,000,000.00
	(-) Estimated Itemized Deductions		\$ (50,000.00)
	(-) "Financed" Charitable Deduction	90%	\$ (1,080,000.00)
	(-) "Participation" Charitable Deduction	10%	\$ (120,000.00)
(New) Taxable Income			\$ 750,000.00
Estimated Taxes		JOINT	
	Federal & State (Effective)	35%	\$ (262,500.00)
(+) Fees & Costs			
	[Legal] Tax Opinion Letter		\$ (7,500.00)
	[Legal] Grantor Trust		\$ (2,500.00)
	[Loan] Origination & Points	2.50%	\$ (27,000.00)
	[Loan] Interest Prepayment	4.30%	\$ (46,440.00)
	[WE] Coordination & Underwriting		\$ (15,000.00)
Total Fees & Costs			\$ (98,440.00)
GROSS TAX SAVING			\$ 615,000.00
	(-) "Participation" Charitable Contribution		\$ (120,000.00)
	(-) Fees & Costs		\$ (98,440.00)
NET TAX SAVING			\$396,560.00

CURRENT

Adjusted Gross Income (AGI)		JOINT	\$2,000,000.00
	(-) Estimated Itemized Deductions		\$ (50,000.00)
	(-) "Financed" Charitable Deduction	90%	N/A
	(-) "Participation" Charitable Deduction	10%	N/A
Taxable Income			\$1,950,000.00
Estimated Taxes		JOINT	
	Federal & State (Effective)	45%	\$ (877,500.00)



ECONOMICS – PRO-FORMA

Cash Flow Analysis

Schedule	Cash from Tax Saving	Scheduled Insurance Premiums	Cash Remained after Insurance Premium	Assumed Investment Yield on Cash	Cash Remained + Assumed Investment Yield	Life Insurance Cash Surrender Value (CSV)*	Total Cash Remained + CSV Value
Cumulative	\$ 396,560.00	\$ (200,000.00)	\$ 196,560.00	4.50%			
Year 1	\$ 396,560.00	\$ (40,000.00)	\$ 356,560.00	\$ 16,045.20	\$ 372,605.20	\$ 11,597.00	\$ 384,202.20
Year 2		\$ (40,000.00)	\$ 332,605.20	\$ 14,967.23	\$ 347,572.43	\$ 54,590.00	\$ 402,162.43
Year 3		\$ (40,000.00)	\$ 307,572.43	\$ 13,840.76	\$ 321,413.19	\$ 100,111.00	\$ 421,524.19
Year 4		\$ (40,000.00)	\$ 281,413.19	\$ 12,663.59	\$ 294,076.79	\$ 148,314.00	\$ 442,390.79
Year 5		\$ (40,000.00)	\$ 254,076.79	\$ 11,433.46	\$ 265,510.24	\$ 199,351.00	\$ 464,861.24
Year 6		\$ -	\$ 265,510.24	\$ 11,947.96	\$ 277,458.20	\$ 212,601.00	\$ 490,059.20
Year 7		\$ -	\$ 277,458.20	\$ 12,485.62	\$ 289,943.82	\$ 228,508.00	\$ 518,451.82
Year 8		\$ -	\$ 289,943.82	\$ 13,047.47	\$ 302,991.29	\$ 244,091.00	\$ 547,082.29
Year 9		\$ -	\$ 302,991.29	\$ 13,634.61	\$ 316,625.90	\$ 260,361.00	\$ 576,986.90
Year 10		\$ -	\$ 316,625.90	\$ 14,248.17	\$ 330,874.07	\$ 277,347.00	\$ 608,221.07
Year 11		\$ -	\$ 330,874.07	\$ 14,889.33	\$ 345,763.40	\$ 295,513.00	\$ 641,276.40
Year 12		\$ -	\$ 345,763.40	\$ 15,559.35	\$ 361,322.75	\$ 313,315.00	\$ 674,637.75
Year 13		\$ -	\$ 361,322.75	\$ 16,259.52	\$ 377,582.28	\$ 333,112.00	\$ 710,694.28
Year 14		\$ -	\$ 377,582.28	\$ 16,991.20	\$ 394,573.48	\$ 353,847.00	\$ 748,420.48
Year 15		\$ -	\$ 394,573.48	\$ 17,755.81	\$ 412,329.29	\$ 375,572.00	\$ 787,901.29
Year 16		\$ -	\$ 412,329.29	\$ 18,554.82	\$ 430,884.11	\$ 396,318.00	\$ 827,202.11
Year 17		\$ -	\$ 430,884.11	\$ 19,389.78	\$ 450,273.89	\$ 418,104.00	\$ 868,377.89
Year 18		\$ -	\$ 450,273.89	\$ 20,262.33	\$ 470,536.22	\$ 440,967.00	\$ 911,503.22
Year 19		\$ -	\$ 470,536.22	\$ 21,174.13	\$ 491,710.35	\$ 464,927.00	\$ 956,637.35
Year 20		\$ -	\$ 491,710.35	\$ 22,126.97	\$ 513,837.31	\$ 490,032.00	\$ 1,003,869.31

Loan Collateral - Life Insurance

Schedule	Scheduled Insurance Premiums	Loan Interest	Loan Amount + Interest Accrual	Life Insurance Benefit
EOY	\$ (200,000.00)	4.30%	\$ (1,080,000.00)	\$ 1,500,000.00
Year 1	\$ (40,000.00)		\$ (1,080,000.00)	\$ 1,538,597.00
Year 2	\$ (40,000.00)		\$ (1,126,440.00)	\$ 1,579,590.00
Year 3	\$ (40,000.00)		\$ (1,172,880.00)	\$ 1,623,111.00
Year 4	\$ (40,000.00)		\$ (1,219,320.00)	\$ 1,669,314.00
Year 5	\$ (40,000.00)		\$ (1,265,760.00)	\$ 1,718,351.00
Year 6	\$ -		\$ (1,312,200.00)	\$ 1,730,601.00
Year 7	\$ -		\$ (1,358,640.00)	\$ 1,743,508.00
Year 8	\$ -		\$ (1,405,080.00)	\$ 1,575,091.00
Year 9	\$ -		\$ (1,451,520.00)	\$ 1,771,361.00
Year 10	\$ -		\$ (1,497,960.00)	\$ 1,786,347.00
Year 11	\$ -		\$ (1,544,400.00)	\$ 1,802,413.00
Year 12	\$ -		\$ (1,590,840.00)	\$ 1,819,315.00
Year 13	\$ -		\$ (1,637,280.00)	\$ 1,837,112.00
Year 14	\$ -		\$ (1,683,720.00)	\$ 1,855,847.00
Year 15	\$ -		\$ (1,730,160.00)	\$ 1,875,572.00
Year 16	\$ -		\$ (1,776,600.00)	\$ 1,896,318.00
Year 17	\$ -		\$ (1,823,040.00)	\$ 1,918,104.00
Year 18	\$ -		\$ (1,869,480.00)	\$ 1,640,967.00
Year 19	\$ -		\$ (1,915,920.00)	\$ 1,964,927.00
Year 20	\$ -		\$ (1,962,360.00)	\$ 1,990,032.00

*Using Non-Guaranteed crediting rate & current charges.
See life insurance illustration for details.

ECONOMICS – LIFE INSURANCE ILLUSTRATION

Income Advantage™ IUL Policy Ledgers



United of Omaha Life
Insurance Company
A Mutual of Omaha Company

Insured: Sample Client

Female, Age 45, Preferred Plus Non-Tobacco

Total Initial Death Benefit: \$1,500,000
Base Plan Death Benefit Only: \$1,000,000
Additional Insured Rider Only: \$500,000

Death Benefit Option: Increasing years 1 - 25
Level years 26 - 75

Annual Premium: \$40,000.00

End of Policy Year	At Age	Annualized Premium Outlay	One-Year 100% Participation Account			Alternate Scale Non-Guaranteed Interest Rate 3.5%	Non-Guaranteed Illustrated Interest Rate 6.28%				
			Allocations % 100%	Guaranteed Interest Rate 0.0%							
			Guaranteed			Alternate Scale Non-Guaranteed			Non-Guaranteed		
			End of Year Values			End of Year Values			End of Year Values		
			Accumulation Value	Surrender Value	Death Benefit	Accumulation Value	Surrender Value	Death Benefit	Accumulation Value	Surrender Value	Death Benefit
1	46	40,000	32,759	5,759	1,532,759	37,588	10,588	1,537,588	38,597	11,597	1,538,597
2	47	40,000	65,459	40,459	1,565,459	76,463	51,463	1,576,463	79,590	54,590	1,579,590
3	48	40,000	98,070	75,070	1,598,070	116,655	93,655	1,616,655	123,111	100,111	1,623,111
4	49	40,000	130,575	109,575	1,630,575	158,202	137,202	1,658,202	169,314	148,314	1,669,314
5	50	40,000	162,946	143,946	1,662,946	201,139	182,139	1,701,139	218,351	199,351	1,718,351
6	51	0#	159,138	141,138	1,659,138	206,755	188,755	1,706,755	230,601	212,601	1,730,601
7	52	0#	155,104	140,104	1,655,104	212,458	197,458	1,712,458	243,508	228,508	1,743,508
8	53	0#	150,801	137,801	1,650,801	218,230	205,230	1,718,230	257,091	244,091	1,757,091
9	54	0#	146,166	135,166	1,646,166	224,041	213,041	1,724,041	271,361	260,361	1,771,361
10	55	0#	141,173	132,173	1,641,173	229,881	220,881	1,729,881	286,347	277,347	1,786,347
		Subtotal 200,000									
11	56	0#	135,836	128,836	1,635,836	236,060	229,060	1,736,060	302,413	295,413	1,802,413
12	57	0#	130,153	124,153	1,630,153	242,287	236,287	1,742,287	319,315	313,315	1,819,315
13	58	0#	124,142	120,142	1,624,142	248,571	244,571	1,748,571	337,112	333,112	1,837,112
14	59	0#	117,771	115,771	1,617,771	254,899	252,899	1,754,899	355,847	353,847	1,855,847
15	60	0#	111,024	111,024	1,611,024	261,266	261,266	1,761,266	375,572	375,572	1,875,572



NEXT STEPS & TIMELINE

Step 1 Pre-Qualification

- Charitable Questionnaire
- Obtain a “soft” commitment from the lender

Step 2 Pre-Approval

- WE engagement / Fee payment
- Loan application & additional documents
- Attorney consultation & engagement – “Tax Opinion Letter”
- Attorney engagement – “Grantor Trust” drafting
- Loan underwriting
- Life insurance application & underwriting

Step 3 Approval – Closing

- Loan documents execution
- Loan fees and interest payment
- Loan funding (90%) – funds sent to charity
- Client funding (10%) – funds sent to charity
- Life insurance contract signing & premium payment
- [Optional] Brokerage account set-up

Step 4 Reporting / Tax Return Filing

- Obtain a gift receipt from the charity before December 15th
- File your tax return

The entire
process takes
up to 75 days

Q & A

What is IRS rule for using a loan to make a charitable gift?

The IRS has ruled that when debt to a third party is used to make a charitable contribution the taxpayer is entitled to a charitable contribution deduction under IRC §170(a) in the year the gift was made, and the deduction may not be postponed until the taxpayer pays the indebtedness.

Rev. Rul. 78-38, 1978-1 C.B. 67, *Granat v. Comm.* 55 T.C. 753 (1971)

How do I get a personal deduction if I use a grantor trust?

Per the IRS regulations, a grantor trust is defined as a trust in which the grantor—the individual who establishes the trust—retains control over the trust's income, assets, and debts, according to IRC § 673. Consequently, the income and deductions of the grantor trust are attributed directly to the grantor under IRC § 671 and Treasury Regulation § 1.671-2. Additionally, the trust itself is not obligated to file a separate tax return.

What is the interest rate for the loan?

The interest rate for the loan is set at the IRS's applicable federal rate (AFR) for demand notes. While this rate is subject to change, it has averaged around 3% over the past 50 years.

How much can I claim as a tax deduction?

A donor may claim a tax deduction of up to 60% of their adjusted gross income (AGI), accounting for other deductions, in the year a cash donation is made. Should the contribution surpass this 60% threshold, the excess may be carried forward and deducted over the next five years, as outlined in Reg. 1.170A-10(b).

Who provides the capital for the loan?




The capital for the loan is provided by endowment funds, private foundations, and other organizations with a charitable focus, through specialized lenders. These entities allocate a part of their annual distributions to loan programs, aiming to amplify charitable contributions that benefit various causes.

How do I pay the interest and repay the loan?

In general, the required interest prepayment in the first year ranges between one to three years with the remainder interest be rolled up into the balance of the loan and paid off at the time of the donor's death using the proceeds of the life insurance death benefit.

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