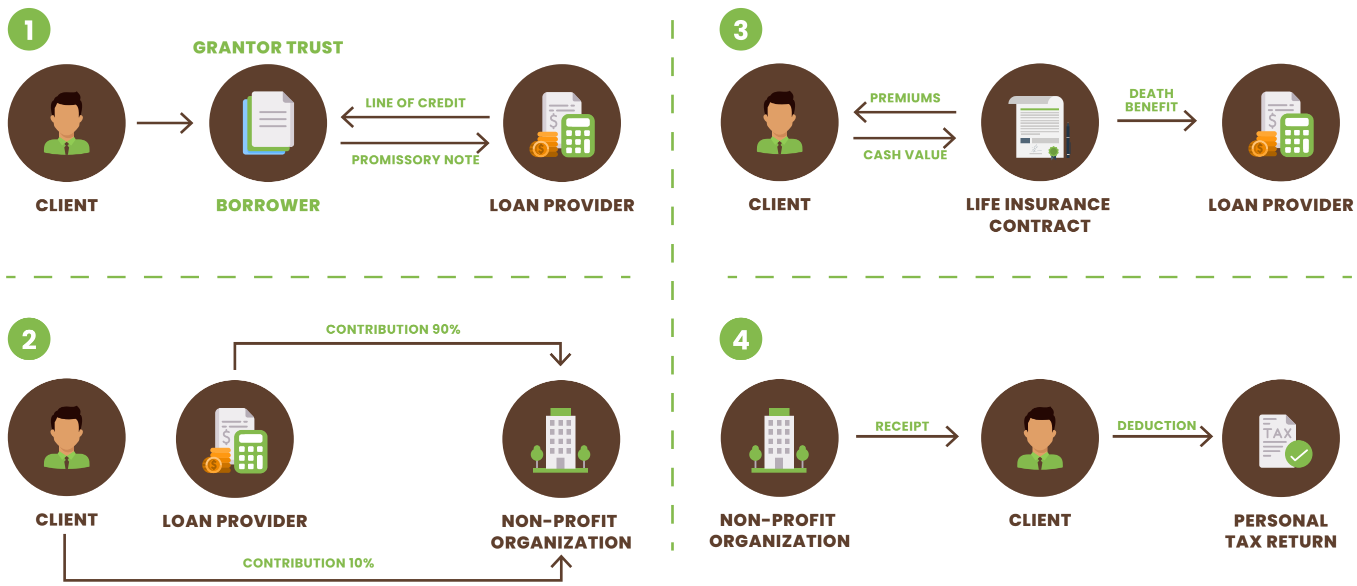
CHARITABLE GIFT FINANCING

EXECUTIVE SUMMARY

CGF is a strategy that enables charitably inclined high-earners to make large-size tax-deductible contributions to charitable organizations utilizing third-party loans.



What are the key benefits?

- Ability to **amplify charitable** giving
- Ability to **maximize tax saving**
- Ability to **create perpetual giving**

Who is an ideal candidate?

Adjusted Gross Income
$1M+

Liquid Net worth
$5M+

Net worth
$5M+

What are the results of the strategy?

$600K
average amount of **GIFT**

$210K
average amount of **TAX SAVING**

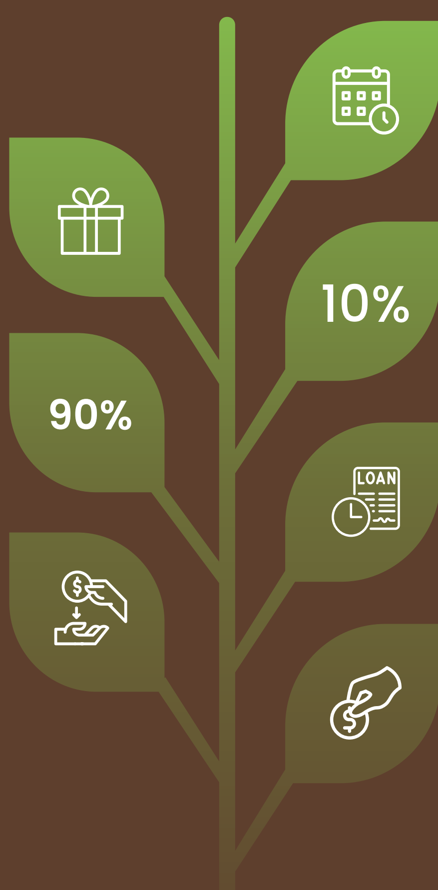
80%
average % of **RENEWING CLIENTS**

Why & when the gift is tax deductible?

Rul. 78-38, 1978-1 C.B.67

The gift **may NOT be subject to** certain kinds of contingencies.

How does Charitable Gift Financing Work?



1. Taxpayer-Donor desires to make a large cash donation
2. Taxpayer-Donor borrows from a third-party lender using grantor trust as a borrower
3. Loan is secured by a life insurance contract obtained on a life of the donor
4. Lender (on behalf of the donor) transfers up to 90% of the gift amount to a charity
5. Taxpayer-Donor transfers up to 10% of the gift amount to a charity
6. Charitable organization receives cash and issues a gift receipt in the name of the grantor trust
7. Taxpayer-Donor claims a deduction for cash donation on the tax return (schedule A)

FAQ

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, Granan 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 Treasuring 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 being 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.

Additional Information

WEALTH EXCEL

To learn more about our **Charitable Gift Financing Blueprint,** please contact one of our specialist below:

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