



CHARITABLE GIFT FINANCING FEASIBILITY PROPOSAL

For: **SAMPLE CASE – \$2M AGI**

[Year 2025]



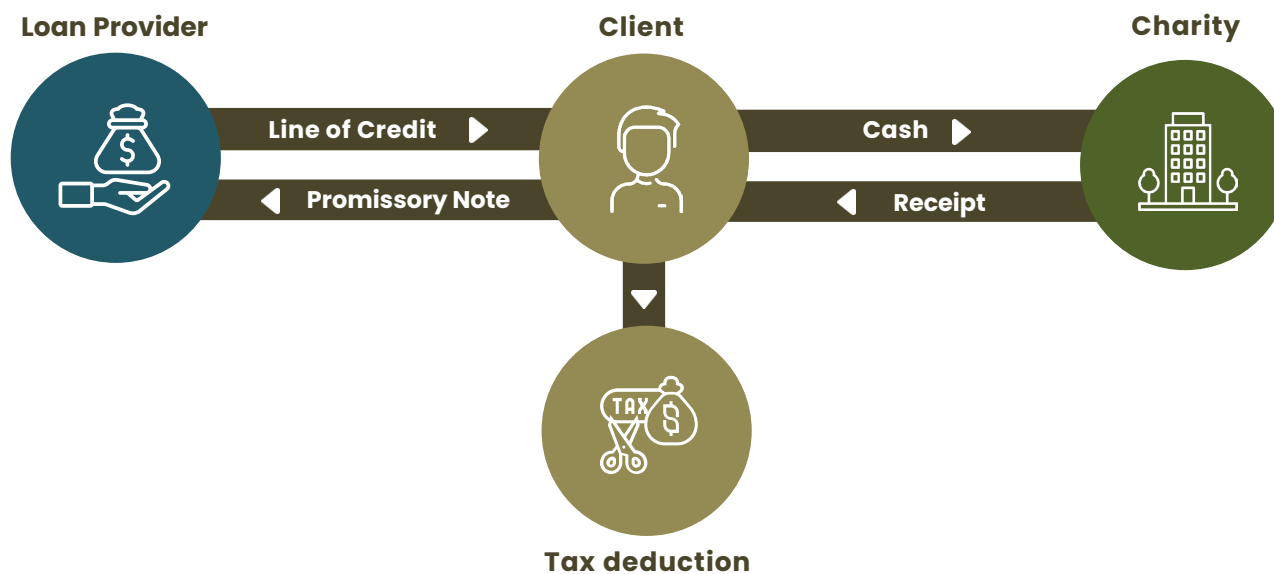
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INTRODUCTION

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

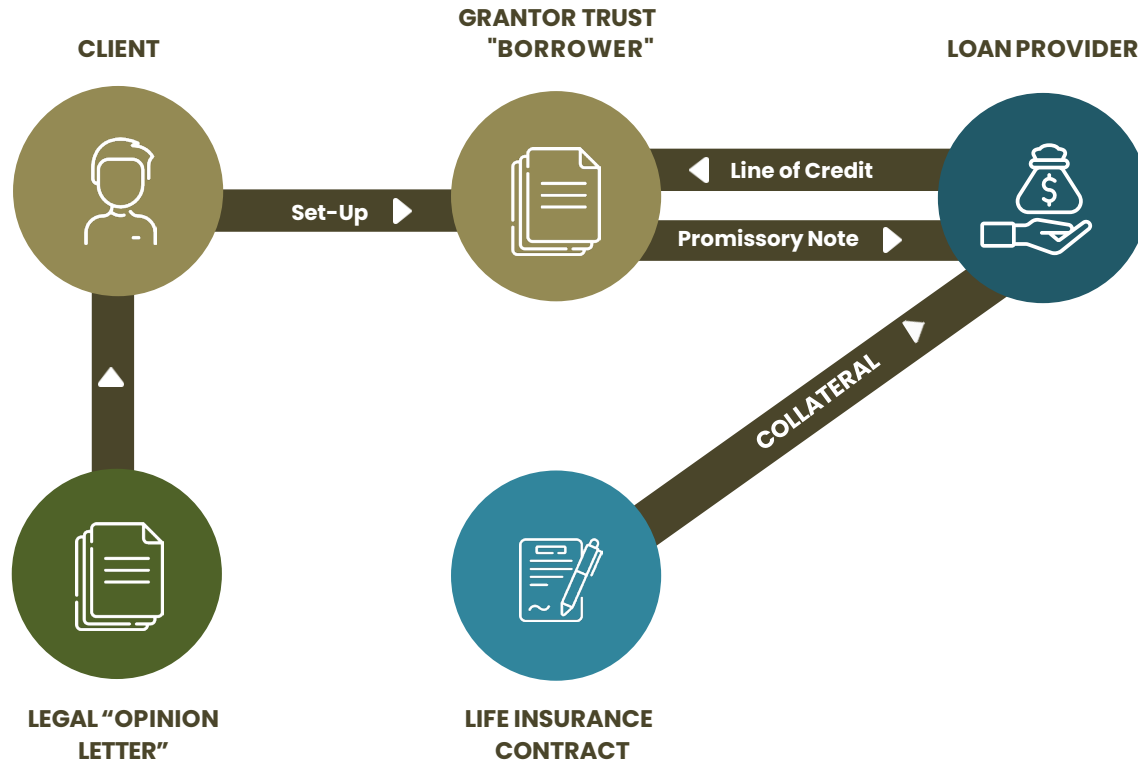


- ✓ Loan origination
- ✓ Collateral = Life Insurance
- ✓ Cash transfer directly to charities
- ✓ Perpetual Gifting through loans

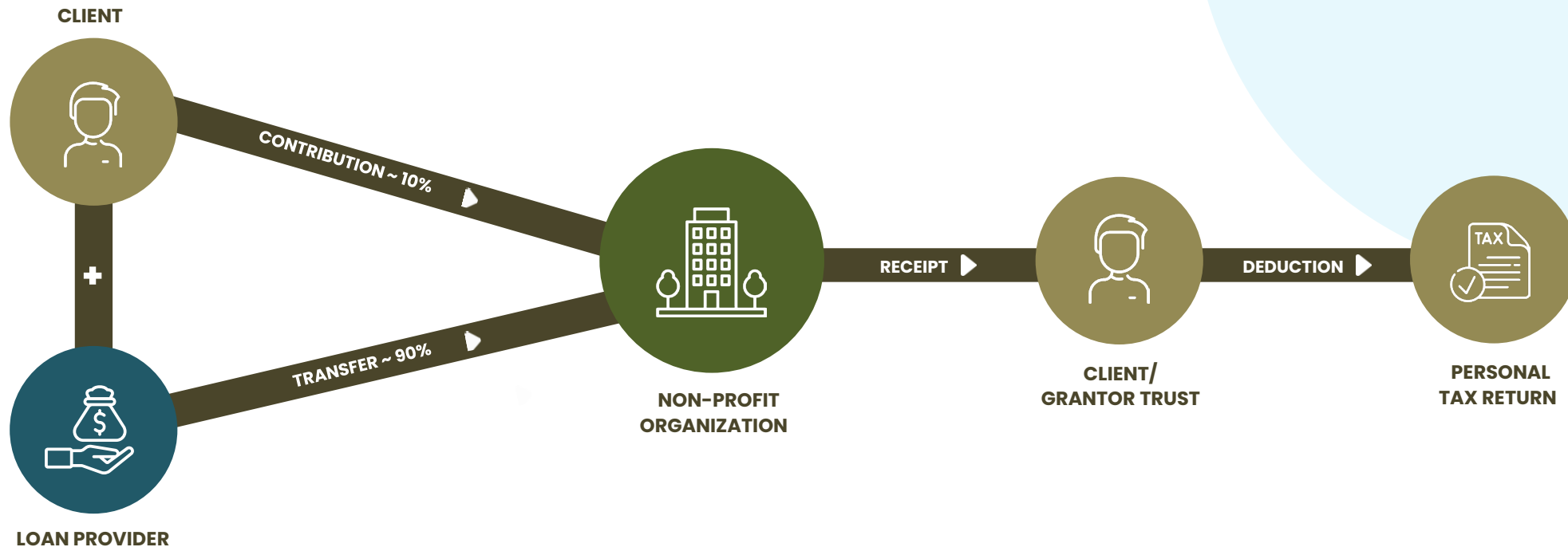


- ✓ Funding
- ✓ Gift Receipt
- ✓ Public Benefits
- ✓ The Economic Effect

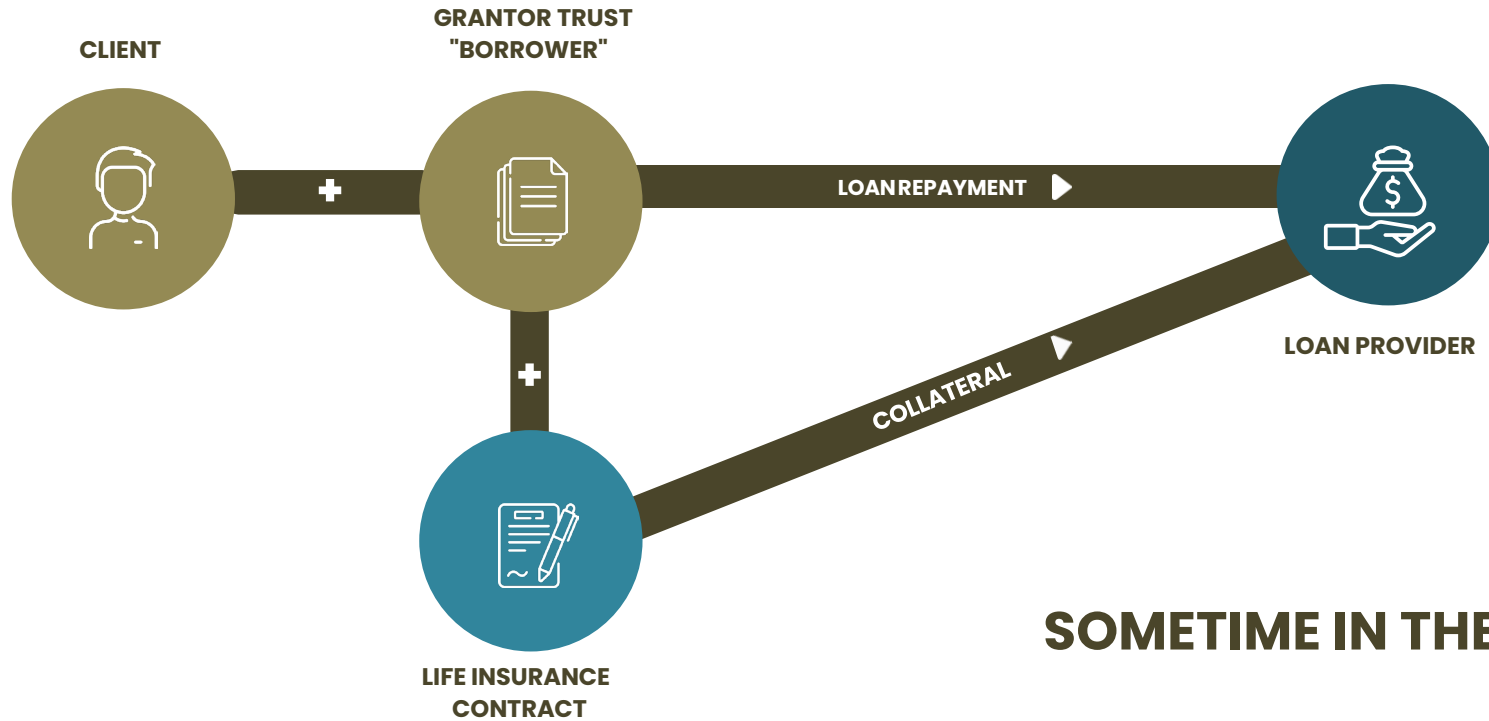
THE STRATEGY – SUMMARY



THE STRATEGY – CONTRIBUTION & DEDUCTION

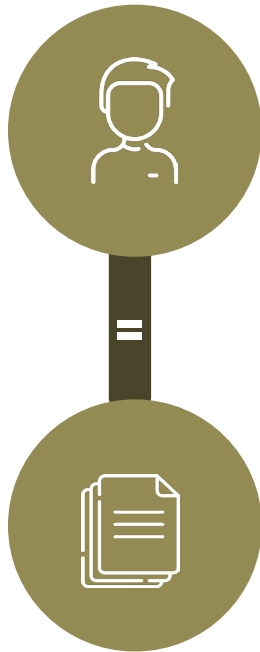


THE STRATEGY – LOAN REPAYMENT



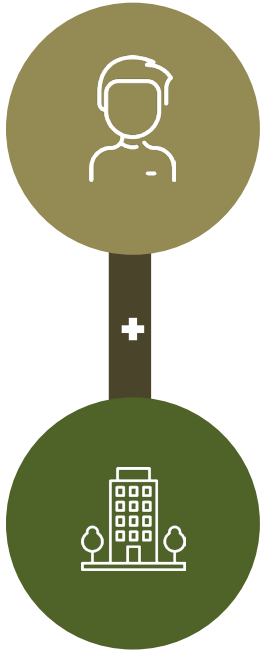
SOMETIME IN THE FUTURE

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 Client
Employment:	W2
Tax Return Filing:	JOINT
Adjusted Gross Income:	\$2,000,000
Tax Rate (Federal & State):	43%
Tax Filing State:	CA

Personal Income & Tax		
Adjusted Gross Income (AGI)	JOINT	\$2,000,000.00
(-) Estimated Itemized Deductions		\$ (30,000.00)
Taxable Income	JOINT	<u>\$1,970,000.00</u>
Estimated Taxes		
Federal & State (Effective)		\$ (847,100.00)



ECONOMICS – FEASIBILITY PROPOSAL

PROPOSED

Adjusted Gross Income (AGI)

	JOINT	\$2,000,000.00
(-) Estimated Itemized Deductions		\$ (30,000.00)
(-) "Financed" Charitable Deduction	90%	\$ (1,080,000.00)
(-) "Participation" Charitable Deduction	10%	\$ (120,000.00)

(New) Taxable Income

	JOINT	\$ 770,000.00
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Estimated Taxes

Federal & State (Effective)	34%	\$ (261,800.00)
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(+) Fees & Costs

[Legal] Tax Opinion Letter		\$ (7,500.00)
[Legal] Grantor Trust		\$ (2,500.00)
[Loan] Origination & Points	2.00%	\$ (21,600.00)
[Loan] Interest Prepayment	4.10%	\$ (44,280.00)
[WE] Coordination & Underwriting		\$ (15,000.00)

Total Fees & Costs		\$ (90,880.00)
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GROSS TAX SAVING \$ 585,300.00

(-) "Participation" Charitable Contribution **\$ (120,000.00)**

(-) Fees & Costs **\$ (90,880.00)**

NET TAX SAVING \$374,420.00

CURRENT

Adjusted Gross Income (AGI)

	JOINT	\$2,000,000.00
(-) Estimated Itemized Deductions		\$ (30,000.00)
(-) "Financed" Charitable Deduction	90%	N/A
(-) "Participation" Charitable Deduction	10%	N/A

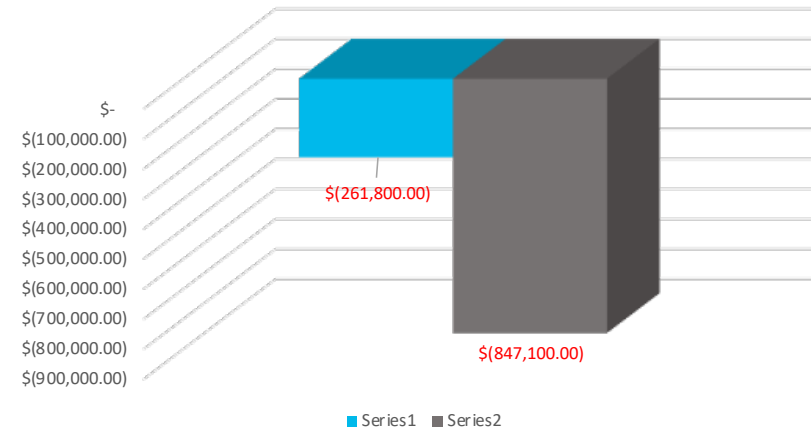
Taxable Income

	JOINT	\$ 1,970,000.00
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Estimated Taxes

Federal & State (Effective)	43%	\$ (847,100.00)
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Proposed vs. Current



ECONOMICS – PRO-FORMA

Cash Flow Analysis

Schedule	Cash from Tax Saving	Scheduled Insurance Premiums	Cash Remained after Insurance Premiums	Assumed Investment Yield on Cash	Cash Remained + Assumed Investment Yield	Life Insurance Cash Surrender Value (CSV)*	Total Cash Remained + CSV Value
		\$ (250,000.00)		4.50%		6.33%	
<u>Year 1</u>	\$ 374,420.00	\$ (50,000.00)	\$ 324,420.00	\$ 14,598.90	\$ 339,018.90	\$ 19,563.00	\$ 358,581.90
Year 2		\$ (50,000.00)	\$ 289,018.90	\$ 13,005.85	\$ 302,024.75	\$ 73,500.00	\$ 375,524.75
Year 3		\$ (50,000.00)	\$ 252,024.75	\$ 11,341.11	\$ 263,365.86	\$ 130,665.00	\$ 394,030.86
Year 4		\$ (50,000.00)	\$ 213,365.86	\$ 9,601.46	\$ 222,967.33	\$ 191,255.00	\$ 414,222.33
Year 5		\$ (50,000.00)	\$ 172,967.33	\$ 7,783.53	\$ 180,750.86	\$ 255,472.00	\$ 436,222.86
Year 6		\$ -	\$ 180,750.86	\$ 8,133.79	\$ 188,884.65	\$ 272,447.00	\$ 461,331.65
Year 7		\$ -	\$ 188,884.65	\$ 8,499.81	\$ 197,384.46	\$ 292,468.00	\$ 489,852.46
Year 8		\$ -	\$ 197,384.46	\$ 8,882.30	\$ 206,266.76	\$ 312,324.00	\$ 518,590.76
Year 9		\$ -	\$ 206,266.76	\$ 9,282.00	\$ 215,548.76	\$ 333,122.00	\$ 548,670.76
Year 10		\$ -	\$ 215,548.76	\$ 9,699.69	\$ 225,248.45	\$ 354,905.00	\$ 580,153.45
Year 11		\$ -	\$ 225,248.45	\$ 10,136.18	\$ 235,384.63	\$ 378,079.00	\$ 613,463.63
Year 12		\$ -	\$ 235,384.63	\$ 10,592.31	\$ 245,976.94	\$ 401,317.00	\$ 647,293.94
Year 13		\$ -	\$ 245,976.94	\$ 11,068.96	\$ 257,045.91	\$ 426,859.00	\$ 683,904.91
Year 14		\$ -	\$ 257,045.91	\$ 11,567.07	\$ 268,612.97	\$ 453,686.00	\$ 722,298.97
Year 15		\$ -	\$ 268,612.97	\$ 12,087.58	\$ 280,700.56	\$ 481,873.00	\$ 762,573.56
Year 16		\$ -	\$ 280,700.56	\$ 12,631.52	\$ 293,332.08	\$ 509,312.00	\$ 802,644.08
Year 17		\$ -	\$ 293,332.08	\$ 13,199.94	\$ 306,532.02	\$ 538,204.00	\$ 844,736.02
Year 18		\$ -	\$ 306,532.02	\$ 13,793.94	\$ 320,325.97	\$ 568,610.00	\$ 888,935.97
Year 19		\$ -	\$ 320,325.97	\$ 14,414.67	\$ 334,740.63	\$ 600,575.00	\$ 935,315.63
Year 20		\$ -	\$ 334,740.63	\$ 15,063.33	\$ 349,803.96	\$ 634,175.00	\$ 983,978.96

Loan Collateral - Life Insurance

Schedule	Loan Interest Rate	Loan Amount + Accrued Interest	Life Insurance Benefit
EOY		Simple Interest	\$ 1,620,000.00
Year 1	4.10%	\$ (1,080,000.00)	\$ 1,668,723.00
Year 2	4.10%	\$ (1,124,280.00)	\$ 1,720,500.00
Year 3	4.10%	\$ (1,168,560.00)	\$ 1,775,505.00
Year 4	4.10%	\$ (1,212,840.00)	\$ 1,833,935.00
Year 5	4.10%	\$ (1,257,120.00)	\$ 1,895,992.00
Year 6	4.10%	\$ (1,301,400.00)	\$ 1,911,887.00
Year 7	4.10%	\$ (1,345,680.00)	\$ 1,928,668.00
Year 8	4.10%	\$ (1,389,960.00)	\$ 1,946,364.00
Year 9	4.10%	\$ (1,434,240.00)	\$ 1,965,002.00
Year 10	4.10%	\$ (1,478,520.00)	\$ 1,984,625.00
Year 11	4.10%	\$ (1,522,800.00)	\$ 2,005,639.00
Year 12	4.10%	\$ (1,567,080.00)	\$ 2,027,797.00
Year 13	4.10%	\$ (1,611,360.00)	\$ 2,051,179.00
Year 14	4.10%	\$ (1,655,640.00)	\$ 2,075,846.00
Year 15	4.10%	\$ (1,699,920.00)	\$ 2,101,873.00
Year 16	4.10%	\$ (1,744,200.00)	\$ 2,129,312.00
Year 17	4.10%	\$ (1,788,480.00)	\$ 2,158,204.00
Year 18	4.10%	\$ (1,832,760.00)	\$ 2,188,610.00
Year 19	4.10%	\$ (1,877,040.00)	\$ 2,220,575.00
Year 20	4.10%	\$ (1,921,320.00)	\$ 2,254,175.00

*Using Non-Guaranteed crediting rate & current charges.

ECONOMICS – LIFE INSURANCE ILLUSTRATION

Income Advantage™ IUL Policy Ledgers



United of Omaha Life
Insurance Company
A Mutual of Omaha Company

Insured: Sample Female 45

Female, Age 45, Preferred Plus Non-Tobacco

Total Initial Death Benefit: \$1,620,000
Base Plan Death Benefit Only: \$1,080,000
Additional Insured Rider Only: \$540,000

Death Benefit Option: Increasing years 1 - 20
Level years 21 - 75

Annual Premium: \$50,000.00

			S&P 500® One-Year 100% Participation Account			Allocations % 100%	Guaranteed Interest Rate 0%	Alternate Scale Non-Guaranteed Interest Rate 4%	Non-Guaranteed Illustrated Interest Rate 6.33%		
End of Policy Year	At Age	Annualized Premium Outlay	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	50,000	41,510	12,350	1,661,510	47,656	18,496	1,667,656	48,723	19,563	1,668,723
2	47	50,000	82,955	55,955	1,702,955	97,187	70,187	1,717,187	100,500	73,500	1,720,500
3	48	50,000	124,304	99,464	1,744,304	148,652	123,812	1,768,652	155,505	130,665	1,775,505
4	49	50,000	165,540	142,860	1,785,540	202,120	179,440	1,822,120	213,935	191,255	1,833,935
5	50	50,000	206,630	186,110	1,826,630	257,657	237,137	1,877,657	275,992	255,472	1,895,992
6	51	0#	202,526	183,086	1,822,526	266,422	246,982	1,886,422	291,887	272,447	1,911,887
7	52	0#	198,180	181,980	1,818,180	275,421	259,221	1,895,421	308,668	292,468	1,928,668
8	53	0#	193,542	179,502	1,813,542	284,636	270,596	1,904,636	326,364	312,324	1,946,364
9	54	0#	188,546	176,666	1,808,546	294,044	282,164	1,914,044	345,002	333,122	1,965,002
10	55	0#	183,163	173,443	1,803,163	303,639	293,919	1,923,639	364,625	354,905	1,984,625
Subtotal		250,000									
11	56	0#	177,408	169,848	1,797,408	313,763	306,203	1,933,763	385,639	378,079	2,005,639
12	57	0#	171,281	164,801	1,791,281	324,111	317,631	1,944,111	407,797	401,317	2,027,797
13	58	0#	164,798	160,478	1,784,798	334,696	330,376	1,954,696	431,179	426,859	2,051,179
14	59	0#	157,927	155,767	1,777,927	345,515	343,355	1,965,515	455,846	453,686	2,075,846
15	60	0#	150,650	150,650	1,770,650	356,569	356,569	1,976,569	481,873	481,873	2,101,873
16	61	0#	142,906	142,906	1,762,906	367,835	367,835	1,987,835	509,312	509,312	2,129,312
17	62	0#	134,594	134,594	1,754,594	379,275	379,275	1,999,275	538,204	538,204	2,158,204
18	63	0#	125,651	125,651	1,745,651	390,864	390,864	2,010,864	568,610	568,610	2,188,610
19	64	0#	115,980	115,980	1,735,980	402,559	402,559	2,022,559	600,575	600,575	2,220,575
20	65	0#	105,532	105,532	1,725,532	414,341	414,341	2,034,341	634,175	634,175	2,254,175
Subtotal		250,000									

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Policy Ledgers



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End of Policy Year	At Age	Annualized Premium Outlay	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
21	66	0#	94,193	94,193	1,725,532	426,171	426,171	2,034,341	669,469	669,469	2,254,175
22	67	0#	81,853	81,853	1,725,532	438,058	438,058	2,034,341	706,648	706,648	2,254,175
23	68	0#	68,425	68,425	1,725,532	449,981	449,981	2,034,341	745,828	745,828	2,254,175
24	69	0#	53,766	53,766	1,725,532	461,893	461,893	2,034,341	787,114	787,114	2,254,175
25	70	0#	37,663	37,663	1,725,532	473,718	473,718	2,034,341	830,592	830,592	2,254,175
26	71	0#	19,856	19,856	1,725,532	485,361	485,361	2,034,341	876,351	876,351	2,254,175
27	72	0#	5	5	1,725,532	496,693	496,693	2,034,341	924,470	924,470	2,254,175
28	73	0#				507,571	507,571	2,034,341	975,036	975,036	2,254,175
29	74	0#				517,829	517,829	2,034,341	1,028,146	1,028,146	2,254,175
30	75	0#				527,272	527,272	2,034,341	1,083,906	1,083,906	2,254,175
		Subtotal	250,000								
31	76	0#				535,687	535,687	2,034,341	1,142,446	1,142,446	2,254,175
32	77	0#				542,824	542,824	2,034,341	1,203,917	1,203,917	2,254,175
33	78	0#				548,363	548,363	2,034,341	1,268,472	1,268,472	2,254,175
34	79	0#				551,887	551,887	2,034,341	1,336,272	1,336,272	2,254,175
35	80	0#				552,829	552,829	2,034,341	1,407,470	1,407,470	2,254,175
36	81	0#				550,553	550,553	2,034,341	1,482,303	1,482,303	2,254,175
37	82	0#				544,648	544,648	2,034,341	1,561,271	1,561,271	2,254,175
38	83	0#				534,744	534,744	2,034,341	1,645,021	1,645,021	2,267,272
39	84	0#				520,002	520,002	2,034,341	1,733,939	1,733,939	2,360,635
40	85	0#				498,409	498,409	2,034,341	1,825,936	1,825,936	2,457,233
		Subtotal	250,000								

ECONOMICS – LIFE INSURANCE ILLUSTRATION

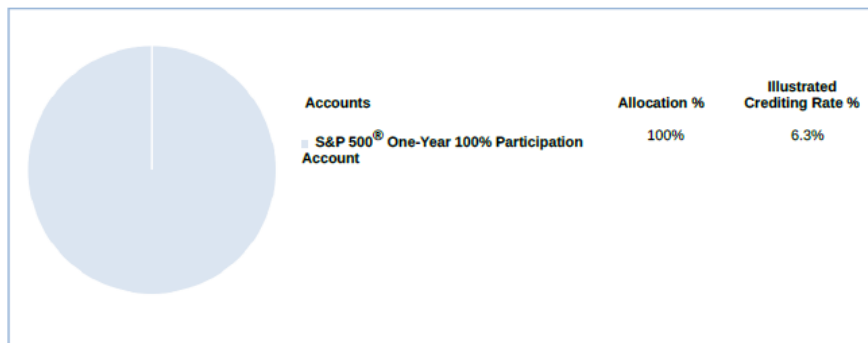
Index Interest Crediting Strategy

This table below shows the current and guaranteed participation rate, cap, and floor for each index interest crediting account as of 09/18/2024.

All index crediting strategies include downside protection, which means that the minimum crediting rate (floor rate) for the index interest crediting strategies is zero percent, even if the percentage change in the market index(es) is negative.

Crediting Strategy	Assumptions	Participation Rate	Segment Cap Rate	Floor Rate	Segment Term	Crediting Method
S&P 500® One-Year 100% Participation	Current Guaranteed	100.0% 100%	10.0% 3%	0.0% 0%	12 Months	Point-to-Point
S&P 500® One-Year High Participation	Current Guaranteed	140.0% 110%	7.0% 2.5%	0.0% 0%	12 Months	Point-to-Point
S&P 500® One-Year Uncapped	Current Guaranteed	60.0% 20%	No Cap	0.0% 0%	12 Months	Point-to-Point
BofA® U.S. Agility Index: One-Year Uncapped	Current Guaranteed	185.0% 50%	No Cap	0.0% 0%	12 Months	Point-to-Point

Your illustration is based on the following allocation percentages:



Historical Hypothetical Index Interest Crediting Rates

For informational purposes, we have provided a table of historical hypothetical index interest crediting rates. The rates displayed are assumptions as to how the three S&P 500® interest crediting strategies (One-Year 100 Percent Participation, One-Year High Participation and One-Year Uncapped) and the BofA® U.S. Agility Index: One-Year Uncapped index interest crediting strategy may have performed each calendar year (January 1 through December 31) from 2004 through 2023. These hypothetical rates assume the product had been in existence at that time and the current cap rates, floor rates, and participation rates applied to the market index(es) percentage change for those years. Actual cap rates and participation rates might have been higher or lower than the current rates depending on market conditions at that point in time. The hypothetical rates are based on historical data, which should not be considered representative of future performance.

Calendar Year	S&P 500®				BofA® U.S. Agility Index	
	Annual Return	One-Year 100% Participation	One-Year High Participation	One-Year Uncapped	Annual Return	One-Year Uncapped
2004	8.99%	8.99%	7.00%	5.40%	NA	NA
2005	3.00%	3.00%	4.20%	1.80%	NA	NA
2006	13.62%	10.00%	7.00%	8.17%	3.16%	5.85%
2007	3.53%	3.53%	4.94%	2.12%	1.04%	1.93%
2008	-38.49%	0.00%	0.00%	0.00%	-4.80%	0.00%
2009	23.45%	10.00%	7.00%	14.07%	11.74%	21.71%
2010	12.78%	10.00%	7.00%	7.67%	10.02%	18.53%
2011	-0.00%	0.00%	0.00%	0.00%	4.93%	9.13%
2012	13.41%	10.00%	7.00%	8.04%	10.26%	18.99%
2013	29.60%	10.00%	7.00%	17.76%	7.00%	12.94%
2014	11.39%	10.00%	7.00%	6.83%	7.01%	12.97%
2015	-0.73%	0.00%	0.00%	0.00%	-3.23%	0.00%
2016	9.54%	9.54%	7.00%	5.72%	5.37%	9.93%
2017	19.42%	10.00%	7.00%	11.65%	13.80%	25.53%
2018	-6.24%	0.00%	0.00%	0.00%	0.98%	1.82%
2019	28.88%	10.00%	7.00%	17.33%	16.01%	29.63%
2020	16.26%	10.00%	7.00%	9.76%	5.20%	9.63%
2021	26.89%	10.00%	7.00%	16.13%	3.30%	6.11%
2022	-19.44%	0.00%	0.00%	0.00%	-5.50%	0.00%
2023	24.23%	10.00%	7.00%	14.54%	3.28%	6.07%



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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