

You Can't Take it with You: Charity & Your Estate

Gina M. Barry, Esq.



Do you donate money to charity each year? Perhaps you donate to an organization dedicated to finding a cure for an awful

disease that has affected your life or the life of a loved one. Perhaps you choose to benefit organizations that support and encourage positive growth in our youth. Perhaps you are an animal lover and choose to support the local animal shelter or abuse prevention organization. Most everyone has a cause that is near and dear to his or her heart.

Charitable Bequeaths

Many people give charitable gifts each year, which is commendable. If you are charitably inclined but concerned that if you are too generous you may not be able to comfortably support yourself for the rest of your lifetime, consider making charitable gifts that will take effect only when you have passed away. Voltaire, a French Enlightenment writer and philosopher, once said, "the man who leaves money to charity in his will is only giving away what no longer belongs to him." By providing for charity in your will, you can ensure that your assets will be available to you for your needs, but you can also support your favorite cause if you do not happen to exhaust all of your assets prior to your passing.

Directing your gift

When you make a gift to charity, especially of a significant sum, you can designate how and for what purpose the money is spent, which ensures that your money will be used for the purposes that you designate. In the alternative, you may choose to contribute to a charity generally and leave the determination of how to use the money up to the charity's governing board. Another option is to establish a fund in your own name and thereby leave a legacy that lives on beyond your lifetime.

Planning wisely

In addition to a favorite charity, most people will include family members or friends in their will. You may give a specific dollar amount to your favorite charity; however, leaving a specific dollar amount to a charity in your will may unintentionally divert your remaining funds away from the family members or friends that you also want to benefit. Unless you are leaving your entire estate to charity, consider leaving a percentage of your estate to your favorite charity with the remaining percentage being divided between family members and/or friends. By leaving a percentage, you can be certain that regardless of how large or small your estate may be, your family, friends and the charity will receive proportionate shares reflecting your wishes.

The tax advantage

Leaving money to charity may also help to preserve your estate and allow for a greater amount of assets to be passed to your family or friends. Presently, the Massachusetts estate tax threshold is \$1 million, and the federal estate tax threshold is \$5.45 million. If your estate exceeds the applicable thresholds, estate tax will have to be paid and the amount remaining for your heirs will be less. Any amounts left to charity will reduce the value of your estate thereby reducing or eliminating estate tax. Further, should your estate contain highly appreciated assets, consider donating these assets to charity as a charity can generally avoid paying income tax when redeeming these assets whereas your estate would incur income tax for the same redemption.

Gift options

Instead of leaving money to a charity in your will, you may name a charity as a beneficiary of any asset with a designated beneficiary. Most commonly, a favorite charity is named as the beneficiary of life insurance or retirement plans. While distributions from retirement plans are usually income taxable to the recipient, a charity would be exempt from paying this income tax, thereby maximizing the amount left to charity. It is also possible to benefit a charity using various types of trusts. As every estate plan is

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different, it is important to choose the most beneficial option when determining what asset to leave to charity, what amount to leave to charity and what planning technique to use to do so.

Charitable giving can be extremely rewarding. Your donation could fund the research that cures that presently incurable disease. Your donation could build a playground that bears your name at which neighborhood children play or provide medical care for an abused animal in desperate need of rehabilitation. Your donation can only meet these needs if you actually make the donation. You can't take it with you... consider charity.

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