TRUST CONNECTION

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MCF Private Trust

A Monthly Report
on Trust News
and Information

Our trust services enable us to seamlessly serve you and your family in a manner that is both cost-effective and efficient. We are able to serve as an investment advisor to your trust without sacrificing protection for trust beneficiaries. MCF Private Trust is a Trust Representative Office of National Advisors Trust Company, a national independent advisor-owned trust company.

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'Tis the Season for Charitable Gift Giving

January 2018 ushered in the most comprehensive tax law change in more than 30 years. While there has been a bit of negative buzz about changes in charitable deductions – most notably, a higher standard deduction that translates to fewer itemizers – some of the biggest tax advantages for gifting were left untouched.

Donors that are unable to itemize deductions, including charitable contributions, still have attractive giving options and techniques to consider. As year-end planning begins, below are some philanthropic strategies to consider.

Donor advised funds remain largely unaltered. A donor-advised fund is a philanthropic vehicle that allows donors to make a lump-sum charitable contribution and then recommend grants from the fund. It is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a sponsoring organization. Donors can make large contributions in one tax year to establish or add to a donor advised fund. Once the donor makes the contribution, the organization has legal control over it. If the gift is large, the donor may be able to itemize deductions that year. In subsequent years, when donor's deductible expenses are not large enough to itemize, the donor can still request that the fund administrator make distributions to specific charities. The donor, or donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account.

Charitable remainder trusts (CRT) were left untouched. A donor might have philanthropic goals but is concerned about maintaining an income stream. In these cases, a charitable gift annuity or a charitable remainder trust may be the answer. Because these gifts require larger amounts, a donor may be able to itemize in the year it is funded. Only a portion of the contribution is deductible, however, because the donor receives income for life or for a period of years.

More specifically, CRTs provide a guaranteed source of income to the grantor (and other noncharitable beneficiaries such as the grantor's spouse, children, or grandchildren, if so drafted), and the remainder interest is paid to a charity. A CRT may be a charitable remainder annuity trust (CRAT), where the amount received by the income beneficiaries does not change over the years, or more commonly, a charitable remainder unitrust (CRUT), where the income beneficiaries receive is a stated percentage of the trust's assets each year.

A CRT can be a powerful strategy for individuals with significantly appreciated assets, as the donor will not realize gain when the property is transferred to the trust. The trust does not pay tax if it sells the donated property to realize its appreciated value. Moreover, the donor receives an income and gift tax deduction equal to the net present value of the remainder interest that will pass to charity. Thus, this planning strategy can provide a substantial current charitable deduction to the donor as the grantor of the trust. It also can provide a substantial stream of income to the donor and loved ones. And when appreciated assets are sold by the charity, the appreciation realized will go forever untaxed.

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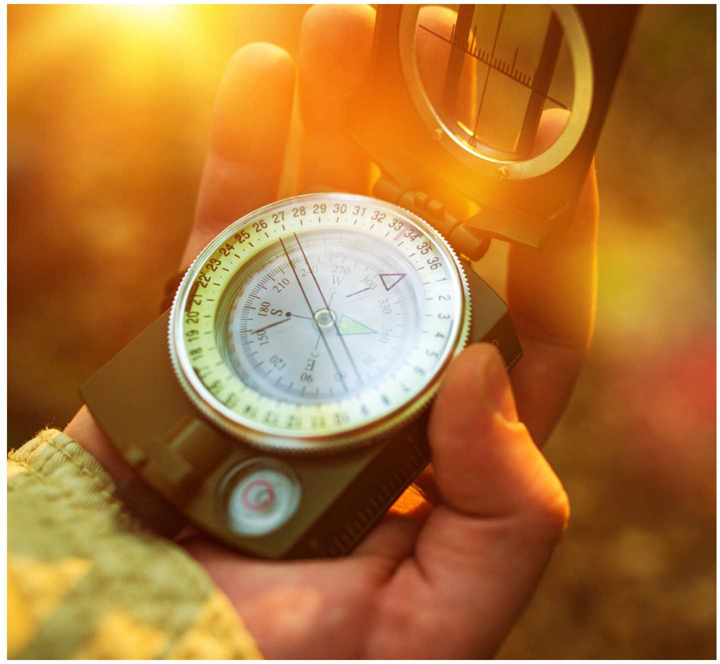
Donors have different reasons for charitable giving. Some give to support their personal values and interests. Others give to ensure a personal legacy. And still others blend philanthropic intent with estate planning opportunities. Regardless of your intent, 'tis the season to consider your philanthropic goals and how to best integrate those goals with your overall wealth management strategy.



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