

501c3 CHARITABLE TRUST TUTORIAL

It's not uncommon for people to want to make significant gifts to their church, favorite charity or both. However, they are often reluctant because gifts to charities disinherit their children, dollar for dollar. Also, they may be reticent to make large gifts, while they are still living, being concerned with a future need for the money. However, deferring their gifts, until their death(s), loses the tax deductions they could have gotten by making gifts during their lifetime and still would disinherit their children dollar for dollar.

The perfect solution is a 501c3 Charitable Trust funded with a life insurance policy with the owner and beneficiary of the policy being the trust. There are several advantages to setting up the trust. First, a small annual gift (premium) to the trust is leveraged to provide a much greater gift to the charities of choice. (For example: A 60 year old can make an ultimate \$500,000 legacy charitable gift for an annual current gift of \$6000 per year to the trust). Secondly, the tax deduction for the annual premium is immediate. Thirdly, since the trust makes the gifts to the named charities, upon the grantor's death, both the amount of the gifts and the charity(s) receiving the gift(s), can be changed, at any time. Finally, the estate is only reduced by the amount of the annual gift (premium), not the amount of the ultimate gift.

There is a side note. With the recent increase in the standard deduction, the premium may or may not be tax deductible beyond the allowed standard deduction. This can be rectified, somewhat, by paying premiums bi or tri annually to maximize the deduction in the year premiums are paid.

A 501c3 charitable trust is a great tool for making significant legacy gifts to church or charity and still retain the flexibility to make changes to the charities and to the amount of each gift, while still being able to tax deduct the annual gift of the premium.

If you would like to learn more about using a 501c3 charity, please give us a call, email or fill out the consultation request on our web site.

Also, for more information you might check the following links regarding 501c3 charitable trusts.

xxxxxxxxxxx.com

501c3 Charitable Trust Flow Chart

