

Planned Giving

By Daniel J. Papuchis, Esq.

Planned gifts have an enormous and lasting impact on the YMCA of Frederick County by creating a legacy that will impact all of the citizens of Frederick County for generations. A common misconception is that planned giving is only for the wealthy. However, strategic planned giving from individuals from all levels of wealth are critical for the long term success of the YMCA.

So what is planned giving? A planned gift is exactly as it sounds. Planned giving may be defined as a method of supporting non-profits and charities that enables philanthropic individuals to make larger gifts than they could make from their income. Planned gifts are made as a part of an individual's financial and estate plan. I will discuss those options shortly.

Take, for example, a typical donor to the YMCA. This donor may have an annual income of \$60,000.00 per year. With all of the expenses people face, it is not likely that this person making \$60,000.00 per year could make a significant donation out of their income. However, this donor, through planned giving, could make a significant gift with a lasting impact to the YMCA, through the use of planned giving.

The donor who makes \$60,000.00 per year, is likely to own their own home, have a life insurance policy and a retirement account. The value of these assets combined could be worth over \$500,000.00. Through planned giving, the donor could leave 10% of their gross taxable estate to the YMCA. This would be a \$50,000.00 gift to the YMCA at the donor's death, while still leaving \$450,000.00 to the donor's heirs. This \$50,000.00 planned gift is demonstrative of the power of planned giving. A donor, who could have never made this type of contribution during their lifetime, is now able to provide for a charity they believe in and still provide for their heirs.

So what methods are available for planned giving? Planned gifts can either be made during an individual's lifetime or at their death. While lifetime gifts and bequests at death both have an impact on the YMCA, many of these planned giving strategies can have positive tax and other benefits to the donor or the donor's estate.

Lifetime planned gifts can result in immediate income to the charity or income to a charity over time. There are also benefits to the donor. For certain planned gifts, the donor (or others), can retain or receive income and/or access to the assets used to fund the gift. Because of the current or future charitable benefits, a number of state and federal income tax, capital gains, estate and gift benefits are associated with giving in this way. Typical lifetime planned giving strategies (although there are many types) include outright gifts, charitable remainder trusts and charitable lead trusts. A charitable remainder trust is an irrevocable trust that generates a potential income stream for you as the donor (or other beneficiaries), with the remainder of the donated assets going to your favorite charity or charities. Charitable lead trusts are designed to provide income payments to at least one qualified charitable organization for a period measured by a fixed term of years, the lives of one or more individuals, or a combination of the two; after which, trust assets are paid to either the grantor or to one or more noncharitable beneficiaries named in the trust instrument. Lifetime planned giving can be an excellent charitable and tax savings tool for a donor, but professional guidance is strongly recommended before a donor embarks on this type of planning.

Planned gifts after one's death include bequests in a donor's last will and testament or naming the charity as the beneficiary of a trust, life insurance policy or retirement account. As previously illustrated, planned giving through a donor's estate plan or beneficiary designations can allow a donor with limited means during their lifetime to provide significant charitable contributions at death while still providing for one's loved ones. Additionally, there can be incredibly beneficial tax breaks for donor's who name charities as the beneficiaries of their tax deferred retirement accounts. Other benefits of planned gifts can include a lasting legacy for the donor.

I encourage all of those interested in planned giving to contact their attorney, accountant or financial advisor. Often it takes a team to put together an effective planned gift. If you are a professional advisor, I recommend that you speak with your clients and give them the options of planned giving. Often, people are not aware of the options or the power of planned giving. By engaging in planned giving we can help the YMCA grow for generations to come.

Daniel J. Papuchis, Esq. is an attorney in Frederick, Maryland whose practice focuses on estate planning and administration.

Should you or a loved one be interested in learning more about planned giving options at the YMCA of Frederick County, please contact Tom Clingman at (301)663-5131 or tclingman@frederickymca.org