



LEGACY GIVING TOOLKIT

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WHAT IS LEGACY GIVING OR PLANNED GIVING?

When you write a check or give stock to Aspen Community Foundation (ACF) or another charitable organization, you are making what's sometimes referred to as a "current gift." Many donors make current gifts to our organization every year, and these gifts are often referred to as "annual gifts."

In addition to making current gifts, many donors arrange to make future gifts to ACF. These structured future transfers to ACF are often referred to as "planned giving" or "legacy giving" because, well, they require planning! Planned gifts are an important way for you to help our organization build its endowment and ensure that our mission stays strong for generations to come.

There are many reasons you might decide to make a future gift to support ACF's funds and mission. Here are a few:

- 1** You want to leave a legacy to the community after your death so that your commitment to ACF continues beyond your lifetime.
- 2** You want to ensure that your family members can experience the joy of giving after you're gone by participating in giving a portion of your assets to ACF and other charities your whole family has cared about for generations.
- 3** You want to make the most of tax benefits associated with setting up a future gift to charity, including avoiding capital gains tax, securing an income tax deduction up front, and even retaining a life income stream.
- 4** You own certain assets that are not suitable for leaving to family members but would make ideal gifts to ACF.

Here are a few ideas for helping you decide whether making a planned gift to ACF's endowment or other fund might be right for you.

Talk with our team.

We are always happy to discuss your overall charitable goals, including the ways you'd like to continue to support ACF and your other favorite charities even beyond your lifetime.

Talk with your estate planning attorney and your financial advisors.

Your advisors will know which of your assets could be deployed into a tax-effective planned gift to any of ACF's funds that also achieves your goals for leaving money to your family as well as supporting ACF after your death.

Talk with Aspen Community Foundation about ways you can use a fund at the foundation to support any of ACF's funds or endowments as well as other charitable organizations through planned giving.

Leaving a Bequest

If you've put together an estate plan with the help of an attorney, chances are, you're familiar with the term "bequest." A bequest is an instruction for assets or money to transfer to a person or charity following your death.

Here are ways you can leave a bequest to Aspen Community Foundation:

Will or Trust

You can include a bequest to ACF in your will or revocable living trust (which is a vehicle you establish to avoid probate). You can leave a specific dollar amount, or a portion of the "remainder" of your estate or trust after distributions to family and other beneficiaries. You can update your will or trust any time prior to your death.

For example, your attorney will add language along the lines of one of the following:

"I give to Aspen Community Foundation, the rest and residue of my estate for its unrestricted use. The name of that endowment fund is [XXX]."

"I give to Aspen Community Foundation, XXX% of my estate for its unrestricted use. The name of that fund is [XXX]."

"I give to Aspen Community Foundation, the sum of \$XXX for its unrestricted use. The name of that fund is [XXX]."

Beneficiary designation

You can leave a bequest through a beneficiary designation on your IRA or other retirement plan, or even on a life insurance policy. Beneficiary designations can be updated throughout your lifetime as your family and financial situation changes.

Similar to bequest language, you'll indicate something like the following on your beneficiary designation:

"[ABC charity]'s endowment fund at Aspen Community Foundation, for its unrestricted use. The name of that endowment fund is [XXX]."

Donor-advised fund

You can leave a bequest to ACF's endowment fund as part of the terms of your donor-advised fund at Aspen Community Foundation. You can update your donor-advised fund during your lifetime to accommodate evolving estate planning and charitable goals.

Charitable Remainder Trust

A "charitable remainder trust" (sometimes referred to as a CRT) is a planned giving technique that allows you to make a future gift to ACF and be eligible for an up-front income tax deduction and retain an income stream for life or for a period of years.

To establish a charitable remainder trust, you will work with your attorney to establish a trust agreement and also work with a person or entity who will serve as the trustee of the charitable remainder trust. Aspen Community Foundation frequently works with donors to establish and serve as trustee of charitable remainder trusts to support ACF's endowment fund as well as a donor's other favorite charities.

Your tax advisor will help you determine whether you could benefit from establishing a charitable remainder trust. Factors include:

- 1 Your plans to leave gifts to charity following your death to meet your charitable goals
- 2 Your income requirements while you are living
- 3 The types of assets you own and whether there is a particular highly-appreciated asset or assets (such as stock or real estate) that would make an ideal gift to a charitable remainder trust to reduce the capital gains tax exposure

How it works:

- Your charitable remainder trust can name yourself or someone else to receive a potential income stream for a term of years, no more than 20, or for the life of one or more non-charitable beneficiaries (such as you and your spouse)
- Your charitable remainder trust will name ACF to receive the remainder of the donated assets following the term of years or death of the income beneficiary or beneficiaries.
- Your charitable remainder trust will establish the terms of the income stream received by the income beneficiary or beneficiaries.
- A "charitable remainder annuity trust" (CRAT) distributes a fixed annuity amount each year. You cannot make additional contributions to a CRAT.
- A "charitable remainder unitrust" (CRUTs), on the other hand, distributes a fixed percentage (at least 5%) based on the balance of the trust assets (revalued annually), and you can make additional contributions to the trust during your lifetime.
- At the end of the income beneficiary's lifetime, or at the end of the term for the income interest, the remaining trust assets are distributed to ACF's endowment fund.

Charitable Gift Annuity

A charitable gift annuity is a planned giving vehicle that is a good fit if you like the idea of an up-front tax deduction, a steady lifetime income stream, and a remainder gift to charity. A charitable gift annuity (also referred to as a "CGA") is similar to a charitable remainder trust, but often easier to establish, especially if you plan to set up a planned gift to ACF's endowment fund with \$50,000 or less.

A CGA, like any other annuity, is a contract. You agree to make an irrevocable transfer of cash or assets to ACF. In return, our organization agrees to pay you (or a designated beneficiary such as a spouse) a fixed payment for life. You are eligible for an immediate income tax deduction for the present value of the future amount passing to charity.

How much income can you receive from a charitable gift annuity? That amount is determined according to national standards and it is based on "rate of return" assumptions that are revised from time to time based on what's going on with interest rates. Talk with our team to learn more about payout rates and what you might expect if you establish a charitable gift annuity to support ACF.

If you are over 70 ½, a charitable gift annuity might be particularly attractive. This is because a "Legacy IRA" rule allows for a once-in-a-lifetime, \$50,000 distribution from an IRA to a charitable gift annuity or charitable remainder trust. Your tax advisor can help you understand the taxability of your income payments from a charitable gift annuity, whether you establish the charitable gift annuity through a QCD, stock, or other assets.



Gifts of Stock

While technically not “planned giving” because a current gift is the result, giving closely-held stock or real estate to ACF requires a lot of careful planning. It’s well worth exploring, though, because these gifts of “complex assets” frequently result in strong tax benefits to you, as well as providing strong support to ACF’s endowment fund and other organizations you care about.

In general, making a gift of highly-appreciated assets is a strong planning technique. When you contribute highly-appreciated stock in a public company, for example, to ACF, you are typically eligible for an income tax deduction at the stock’s fair market value on the date of the gift. When ACF’s endowment fund sells the stock, the organization pays no capital gains tax. By contrast, you would have paid capital gains tax on the sale of the stock if you had sold it first and then transferred the proceeds to charity. The same is true for gifts of highly-appreciated real estate and closely held stock; frequently these assets have large unrealized capital gains.

If you are considering giving part (or all) of a closely-held business to charitable causes, please reach out. These transactions carry with them layers of complexity, largely around the timing of the charitable gifts in relation to the sale transaction. The best outcomes are achieved through a thoughtful, multi-step process. The team at ACF is happy to work with you and your advisors to develop a plan to give your business to charity. Many successful closely-held exit transactions occur only after several years of planning — and most of that planning occurs well before potential buyers are even engaged.

With the help of Aspen Community Foundation, we can work with you and your advisors to ensure that your charitable intentions — as well as your tax intentions — are met with your gifts of closely-held stock.



Gifts of Real Estate

If you own highly-appreciated residential, commercial, or undeveloped real estate, you may have reached the point where you no longer want to manage or maintain it. This is a perfect opportunity to discuss the option of giving real estate to ACF's endowment fund.

As with gifts of other long-term appreciated assets, your gift of real estate may fall into the category of a current gift, meaning you are transferring it during your lifetime. But it is still a gift that requires a lot of planning.

Your gift of highly-appreciated real estate can help you avoid capital gains taxes and generate more money for ACF's endowment fund and other favorite charitable causes than you would have by selling the property first and donating the proceeds.

Remember that lifetime gifts of property held for more than one year are typically deductible for income tax purposes at 100% of the fair market value of the property on the date of the gift. Not only does this help avoid capital gains tax, but it also reduces the value of your estate for Federal estate tax purposes if estate taxes are a concern. You can also use real estate to fund a charitable remainder trust.

ACF understands that, unlike cash or even stock, real estate is often tied to strong emotions that might even surprise you when you start to discuss disposition. We can help you structure a gift to real estate so that you can extend the emotionally important, family-related dynamics that may have been linked to the property for generations, even after our organization sells the property and invests the proceeds in our endowment fund or deploys the proceeds to fund our programs and missions.

Qualified Charitable Distributions

If you are aged 70½ or older, it is well worth your time to investigate whether a tool known as a Qualified Charitable Distribution might be right for you as a tax-savvy way to support ACF's endowment fund.

Here is how it works:

- 1 You can make a QCD if you have reached the age of 70½, and as such you can direct up to \$100,000 annually from your traditional IRA to ACF's endowment fund.
- 2 If you've reached the age-73 threshold for IRS-mandated Required Minimum Distributions (RMDs) from qualified retirement plans, a QCD counts toward your RMD.
- 3 QCD transfers are not included in your taxable income.
- 4 QCDs are even more popular now that the \$100,000 cap will be indexed for inflation under the new laws.

Life Insurance

You may want to consider giving a life insurance policy to ACF's endowment fund.

Here is how that works and why it may be beneficial for you to do so.

Giving a life insurance policy to a charitable organization through a beneficiary designation is useful because the proceeds of that policy will not be included in your taxable estate for Federal estate tax purposes if that is a concern in your situation.

But that's not all! There are potential income tax benefits during your lifetime. The ACF team can work with you to determine if a gift of a life insurance policy is right for you. Here are a few things we can help you think through with your legal and tax advisors:

- As is the case with bequests to our organization, you will want to be sure that you name ACF's endowment fund correctly on the life insurance beneficiary designation form itself, such as: "[Exact name of endowment fund] at Aspen Community Foundation for its unrestricted use."
- Check state law first. Most — but not all — states allow transfers of life insurance policies to a charity.
- Request change of ownership and change of beneficiary forms from the insurance company, and make sure you have the right forms. The paperwork is not always user-friendly. There are instances where a donor completed the wrong set of forms and thus failed to accomplish the intended transfer. ACF's endowment fund will need to be the policy owner and, unless we intend to surrender the policy, we also need to be the named beneficiary.
- Your advisors can help you carefully calculate the charitable income tax deduction for the gift of the life insurance policy to ACF's endowment fund. In general, you will be eligible for a deduction equal to the lesser of the policy's value or your "tax basis" (usually the total amount of premiums paid). The "value" of the policy is computed using the replacement cost or the "interpolated terminal reserve" plus unearned premiums.
- In many cases, you can make tax-deductible donations to our organization for us to use to pay the annual premium on the policy. These donations may be eligible for an income tax deduction.
- Be sure to check for loans against the policy to avoid an unintended income tax event.
- That is a mouthful, so please reach out! Our team is happy to help you work with your advisors to put together a gift of life insurance to support ACF's endowment fund and its mission.

YOUR PLANNED GIFT: STEP-BY-STEP

You've decided to make a planned gift to support ACF's endowment fund. Now what? Here are four steps for success.

- 1** Talk with the ACF team about what you have in mind and what areas of our mission you would like to support. We will discuss several factors that will inform the best type of planned gift to achieve your charitable wishes. We will also discuss a target amount for your planned gift to ensure that you will be providing the support you intend for particular programs, or a meaningful endowment gift if your intention is to support ACF in perpetuity.
- 2** Talk with your legal and tax advisors to determine the best assets to deploy toward your planned gift. Selecting the assets will depend on the total dollar amount you'd like to give, as well as your tax situation (both income and estate tax). The assets you give will also depend on the ownership structure of the assets and other family and estate planning factors.
- 3** After you've talked with your legal and tax advisors, we'll set up a time to discuss your planned gift as a group — you, your legal and tax advisors, and our team. Together, we will determine the options, and you will make the decision about the type of planned gift, whether you'll retain an income stream, and the provisions you want to include to ensure that our organization uses the gift as you intend.
- 4** If you would like to benefit ACF as well as other favorite organizations through a single planned gift, we are here to help. ACF offers structures and services that allow you to make a planned gift to multiple organizations, as well as vehicles for keeping your family members involved for generations. ACF can also help receive and facilitate gifts of complex assets such as closely-held stock and real estate, or serve as trustee of a charitable remainder trust if that is the vehicle you determine is the best option for you.





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