A Guide to Planned Giving

ASHRAE Foundation
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ASHRAE Foundation

The American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) has a century old record of advancing the arts and sciences of HVAC&R and related human factors to serve the needs of its members and the population at large.

In 1994, ASHRAE created the ASHRAE Foundation to advance the needs of the HVAC&R industry by creating an endowed trust that would support professional development and research programs and provide engineering students with scholarship opportunities. The Foundation ensures that ASHRAE will continue to have sufficient resources to sustain and expand the Society's important work.

The creation of the endowment was a response to a vital need for increased funding for ASHRAE programs and projects. The Foundation now recognizes the need and has accepted the challenge to provide the financial support necessary to offer tailored educational programming necessary to ensure that HVAC&R professionals are prepared today for tomorrow's challenges.

www.ASHRAE.org

What is Planned Giving?

- The integration of personal, financial and estate planning goals with lifetime or testamentary charitable giving.
- An opportunity for charitable giving in circumstances that may not otherwise allow a donor to make a gift to charity.

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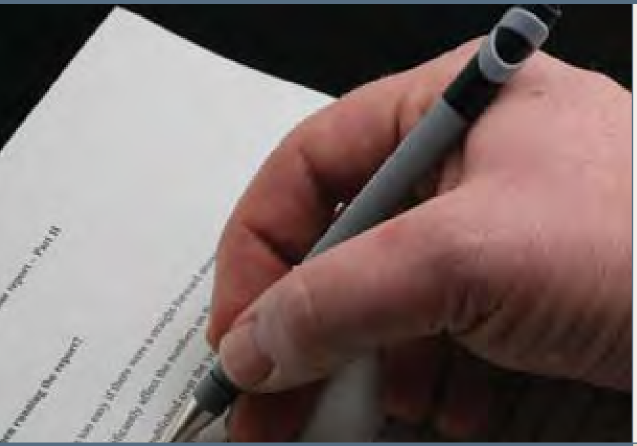


Bequest

A gift to charity at death. A bequest is the simplest type of planned gift to make and one of the easiest to implement.

The Need

Many people desire to benefit charity but are unable to donate property while they are alive. For example, a donor may have property that is needed during life to cover living expenses or rising health care costs.

A Solution

A donor can retain ownership and use of property during life and still benefit charity by leaving it to charity at death.

The Benefits

Gift to Charity

The charity receives cash or property.

Estate Tax Deduction

The amount given to charity is not subject to federal estate tax.

Preserves Lifetime Flexibility

The donor is able to use and control property while alive.

The Details

A donor can leave property to charity by including a bequest in his or her will or trust. Property that passes by a beneficiary designation (such as individual retirement accounts) can be left by designating the charity as a beneficiary.

Specific Asset Bequests

Many bequests transfer a specific item to a beneficiary. "I give my car to Joshua."

Specific Amount

Another common transfer within a will is the gift of a specific dollar amount. "I give $1,000 to Sarah."

Bequest of a Percent of the Residue

A fractional amount or percent of the residue may be transferred to charity. "I give 50% of the residue of my estate to Amanda."

Undivided Percentage of Asset Bequests

A testator may bequeath or devise an undivided percentage of a particular asset. "I give half of my home to Brian."

Gift Annuities

A gift annuity is an agreement where a donor makes a gift of cash or property and a charity agrees to make fixed payments to the donor for life.

The Details

A charitable gift annuity (CGA) is a contract between a donor and a charity.

Duration

A donor gives cash or appreciated property to charity. In exchange, the charity makes fixed payments for the lifetime(s) of one or two individuals.

Payout Rate

Gift annuity payments are based on a rate schedule. Many charities use rates set by the American Council on Gift Annuities (ACGA). Under the ACGA's rates, the older the age of the person receiving gift annuity payments, the higher the rate.

Taxation of Payments

A predetermined portion of each gift annuity payment is tax-free and the remaining amount of each payment is taxable at ordinary tax rates.

Timing

A gift annuity contract can begin making payments immediately (a current gift annuity) or defer payments for at least one year (a deferred gift annuity).

The Need

A donor wants to make a gift to charity but needs regular payments to supplement income.

A Solution

Donor and charity enter into a charitable gift annuity agreement.

The Benefits

Fixed Payments for Life

A gift annuity contract provides fixed payments to one or two individuals for life.

Partly Tax-Free Payments

A portion of each gift annuity payment to the donor is tax-free.

Rates by Age

Annual gift annuity payouts are based on the donor's age (rates are higher for older donors).

Tax Deduction

The donor receives a current federal income tax deduction for the present value of the gift to charity.

Charitable Remainder Trust

A charitable remainder trust receives cash or property from a donor, makes payments for a life, lifetimes or term of years and then distributes the remainder to charity.

The Need

A donor wants to turn appreciated property that produces little or no income into a productive asset without paying capital gains tax on the sale of the property.

A Solution

A donor contributes the appreciated property to a charitable remainder trust that will sell the property tax-free and then make payments for life or a term of years.

The Benefits

Bypass Gain

The trust sells property tax-free.

Increased Income

The trust pays a percentage of its value to the trust beneficiary.

Charitable Tax Deduction

The donor receives a current federal income tax deduction.

The Details

A donor transfers cash or appreciated property to the CRT. The CRT is a tax-exempt trust that can sell the appreciated property without paying capital gains tax.

Duration

A CRT can last for the lifetime of one or more beneficiaries or for a specific term of years.

Annuity vs. Unitrust Payout

A charitable remainder annuity trust (CRAT) pays a fixed dollar amount each year. By contrast, a charitable remainder unitrust (CRUT) pays an amount equal to a percentage of the trust value at the beginning of each year.

Taxation of Payouts

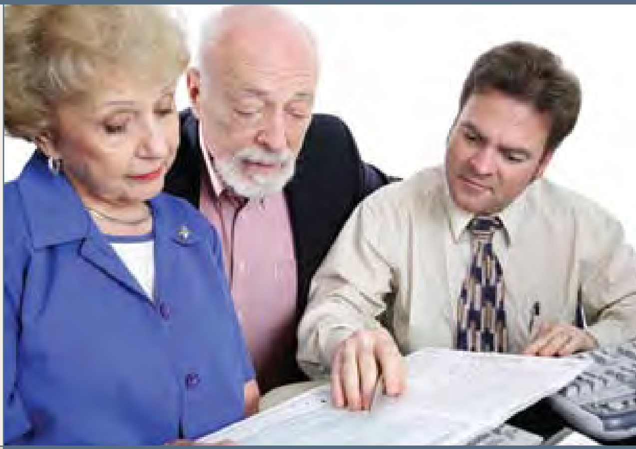
Most CRT payouts are taxed to the beneficiary as ordinary income and/or capital gain.

Payout Flexibility

A unitrust offers four flexible payout options. A standard CRUT pays a fixed percentage of the trust value. A net income trust (NICRUT) pays the lesser of the trust's net income or the standard amount. A net income with makeup trust (NIMCRUT) is like a NICRUT but can make additional distributions. Finally, a FLIP trust pays like a NIMCRUT until a certain date or event and then "flips" to payout like a standard CRUT.

Charitable Lead Trust

A charitable lead trust (CLT) receives cash or property from a donor and makes payments to charity for a specified period. At the end of the period, it distributes the trust property to a specified beneficiary, usually family.



The Details

A donor transfers cash or property to the CLT. Unlike a CRT, a CLT is a taxable trust. Each year the CLT will report its income and then take a deduction for the amount that it distributes to charity, any excess is subject to tax.

Duration

A CLT can last for the lifetime of one or more beneficiaries or for a specific term of years.

Annuity vs. Unitrust Payout

Each year, a CLT pays either a fixed annuity amount or available unitrust amount to charity.

Lead Trust Types

A family CLT receives property and usually distributes it to a family member at the end of the term. A gift tax deduction is available to a donor who creates a family CLT. A grantor CLT receives property that ultimately returns to the donor. The donor gets an income tax deduction when the trust is created. However, the donor has to report trust income on his or her personal income tax return each year.

The Need

A donor wants to give a gift to charity for a period and pay as little gift or estate tax as possible.

A Solution

A donor contributes property to a trust that will make distributions to charity for a specified term and ultimately distribute the property to the donor's family or be returned to the donor.

The Benefits

Pass Appreciation to Family

A donor gives property to a lead trust and that property plus growth passes to his or her family with no additional tax.

Gift or Estate Tax Deduction

A donor receives a current federal gift or estate tax deduction for the present value of the payments that will go to charity.

Life Estate Reserved

Charity accepts a gift of property – either a personal residence or farm – and the donor retains the right to use the property for his or her lifetime.

The Need

A person may desire to leave his or her house or farm to charity at death, but would like a current tax benefit.

A Solution

Donors can deed a house or farm to charity but keep the right to use the house or farm for their remaining lifetime.

The Benefits

Tax Deduction

The donor receives a current federal income tax deduction for the remainder value of the home or farm.

Preserves Lifetime Use

The donor is able to use and control the home or farm while alive.

The Details

A donor executes a deed transferring a house or farm to charity. In the deed, the donor retains a "life estate," that grants the donor the right to live in the home for life.

Duration

The life estate typically lasts for the life of the donor.

Deed Restrictions

The deed of the remainder interest to charity must not be restricted.

Mortgage

It is possible for a donor to make a gift of a remainder interest even though there is a mortgage upon the residence.

MIT Agreement

The donor agrees to be responsible for the maintenance, insurance and taxes on the property.

Bargain Sale

Charity purchases property for less than fair market value or accepts a gift of mortgaged property.

The Need

Many people desire to benefit charity but cannot afford to give an entire property to charity. Other people may have mortgaged property that they are willing to give to charity.

A Solution

Charity can buy the property at a bargain price or agree to accept the donor's mortgaged property.

The Benefits

Immediate Benefit to Donor

The donor gets a cash payment or debt relief.

Bypass Gain

The donor avoids gain on the part of the property that is a gift.

Tax Deduction

The donor receives a current federal income tax deduction for the part of the property given to charity.

The Details

A bargain sale works just like any other sale except that the sale price is a bargain (less than the property is worth). The donor transfers an asset to charity and receives less than fair market value in return.

Charitable Deduction

The donor receives a charitable deduction for the difference between the fair market value of the property transferred and the cash received in the bargain sale.

Cash or Debt Relief

A donor sells the property to charity and receives a cash payment or debt relief.

Bargain Sale

The donor gets the cash or debt relief he/she desires and the charity receives a valuable property for less than full price. The difference between the sale price and the appraised value of the property is a gift to the charity.

"It takes a noble man to plant a seed for a tree that will some day give shade to people he may never meet."
— David Elton Trueblood

Thank you for your continued commitment to ASHRAE and ASHRAE Foundation

If you have additional questions, would like more information or would like to speak to one of ASHRAE Foundation's staff, please contact:

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