

## Planned Giving Frequently Asked Questions

1. **Why should I give later as opposed to now?**
2. **What assets can I give?**
3. **How can a gift pay me back?**
4. **What if I want to keep my estate intact, not increase my income?**
5. **Do I notify CDF if I've made a planned gift?**

*The following responses are for informational purposes only and do not represent legal or financial counsel. Please consult professionals to design a giving strategy to meet your goals and to implement an estate gift to The Children's Defense Fund.*

### 1. **Why should I give later as opposed to now?**

A significant gift during your lifetime helps the Children's Defense Fund immediately. In turn, it will give you maximum tax benefits, which may be especially attractive to those at the peak of their income earning years. Gifts from your estate can be arranged in your will, through a revocable trust, through a life insurance policy, or the balance remaining in your retirement plan. These estate strategies help keep your lifetime financial planning flexible, although they provide only limited income tax benefits now. Estate gifts are critically important for CDF's long-term financial strength to help ensure we can meet future opportunities and challenges for children.

You can make estate gifts by:

- Remembering the Children's Defense Fund in your will.
- Making the Children's Defense Fund a beneficiary in your retirement account, insurance policy or Donor Advised Fund.
- Naming the Children's Defense Fund as a beneficiary of your savings or checking account.

### 2. **What assets can I give to CDF?**

You can make an immediate cash gift by visiting [childrensdefense.org/donate](https://childrensdefense.org/donate). **Appreciated Securities** provide the same tax deduction as if you had given cash, but use stocks or bonds that cost you less than they are currently worth. You transfer securities to the Children's Defense Fund, which in turn sells your securities and uses the proceeds. Your tax deduction is based on market value, but you incur no capital gains liability upon the transfer to CDF. Contact CDF's Development Department by emailing [donations@childrensdefense.org](mailto:donations@childrensdefense.org) or calling 202-662-3670 to learn more.

**BENEFITS:**

- The IRS allows you one of its most significant tax breaks for gifts of appreciated securities. You receive gift credit and an immediate income tax deduction for the fair

market value of the securities on the date of transfer, no matter what you originally paid for them.

- You pay no capital gains tax on the securities you donate.
- You can direct your gift to a specific fund or purpose.
- You have the satisfaction of making a significant gift now or funding a life-income gift that benefits Children's Defense Fund later.

### **Life Insurance**

- **New Policy** - You can fund a future gift for CDF by paying premiums from your current income.
- **Paid-Up Policy** – Give CDF a policy whose coverage you no longer need.
- **Gift-Replacement** - Create a life-income gift for yourself; use insurance proceeds to restore the value of your gift to benefit your heirs.

### **Retirement Plan**

The balance remaining in your retirement account after your death is subject to double taxation — it's taxed both as income and as an estate asset. This can result in 75% of the account value going to taxes. Planning to designate the remainder of your account to CDF ensures the balance of your retirement plan is used to improve the lives of the most vulnerable children across our country. Recent regulations simplify the procedure to name the Children's Defense Fund as your beneficiary. Please contact CDF's Development Department at [donations@childrensdefense.org](mailto:donations@childrensdefense.org) or 202-662-3670 for more information.

### **3. How can a gift pay me back?**

Your charitable deduction is based on the full market value of the assets you gave, minus the present value of the income interest you retained. The higher the income payout, the lower the deduction. You can use these deductions to convert low-yielding securities to a higher income stream at a greatly reduced capital gains cost. You can receive fixed or variable income, take payments for your lifetime or for a term of years, and direct the income to other beneficiaries. In essence, you make a contribution yet retain benefits from what you gave away.

These gifts address a variety of your planning objectives and provide CDF with long-term financial stability that will sustain this critical work in the future.

#### **Income gifts include:**

A **charitable gift annuity** — the income rates and the charitable deduction tend to be higher with a gift annuity than with other life-income gifts. There is also an attractive reduction in the taxation of annuity payments. This gift plan is most appropriate if you are risk-averse in your investing and if long-term fixed income is an appropriate strategy for you.

A **deferred gift annuity** — the deferred annuity increases both the income rate and the charitable deduction above those of an annuity starting income payments immediately. If you are currently in high-earnings years, looking for tax deductions and new sources of

retirement income, a deferred annuity with income set to start when you turn 65 may fit your needs well.

A **charitable remainder annuity trust** is an individually managed trust that provides you a bit more flexibility. Its management costs often produce a lower income rate than a gift annuity could pay and require a larger initial gift. However, the annuity trust does have several advantages; it can pay income to multiple beneficiaries, while the gift annuity is limited to two individuals, it can pay income for a term of up to 20 years while a gift annuity can only pay for life, and under certain circumstances an annuity trust can pay all tax-free income, especially if it was funded with tax-free securities.

The **charitable remainder unitrust** is the most flexible life-income gift, and pays you variable income. The amount received by beneficiaries is based on a fixed percentage of the value of the principal, which is revalued annually. Income in excess of the unitrust amount is reinvested, so that the unitrust's income rate can be applied against an increasing principal over time. The unitrust can pay multiple beneficiaries and can pay income for lifetime or as long as you wish. Like the annuity trust, the unitrust is individually managed and requires a larger gift to make the management feasible.

A special feature of the unitrust is the ability to grow principal over time, then reinvest for income, with no capital gains cost. This feature allows you to build up a fund for later needs, such as tuition for children and grandchildren. To learn more contact CDF's Development Department at [donations@childrensdefense.org](mailto:donations@childrensdefense.org) or 202-662-3670.

#### 4. What if I want to keep my estate intact, not increase my income?

You and your estate planning advisor should consider a **charitable lead trust**. It works in reverse from life-income gifts and your gift is placed in a trust that pays income to the Children's Defense Fund for a term, then returns the principal to you or to your heirs. If you have a growing family business or a rapidly appreciating portfolio, and children whom you'd like to benefit, a lead trust may be just what you're looking for. For more information, contact CDF's Development Department at [donations@childrensdefense.org](mailto:donations@childrensdefense.org) or 202-662-3670 for more information.

#### BENEFITS:

- A lead trust is a very effective tool to remove a portion of your estate from tax liability.
- If the assets are to pass to your heirs, any growth in the principal after the trust was inaugurated is exempt from estate tax.
- The amount subject to tax is reduced by the value of our income interest.

#### 5. Do I notify CDF if I've made a planned gift?

We ask and hope that you will notify the Children's Defense Fund if you plan to include our organization in a bequest or other planned gift. Your willingness to stand up and be counted as a supporter will encourage others to follow your lead. However, we respect those who wish to remain anonymous and urge you to confidentially notify CDF of your plans. **Please contact CDF's Development Department of your intended bequest or planned gift.**

If you have not yet included The Children's Defense Fund in your estate plans and would like to explore the best options for you and your family, please feel free to contact CDF's Development Department at [donations@childrensdefense.org](mailto:donations@childrensdefense.org) or (800) 233-1200 for confidential assistance with no obligation.

## Gift Planning at a Glance

### ► Your Goals

Maximize your deduction; minimize the gift details

Afford a larger gift to Children's Defense Fund — and avoid capital gains liability

Make a gift for Children's Defense Fund's future that doesn't affect your cash flow or portfolio now

Retain income benefits from the assets you give to Children's Defense Fund — thus afford a larger gift

Reduce high tax liability now; gain additional income later

Tap one of the most valuable assets in your portfolio to make a gift to Children's Defense Fund

Reduce gift and estate taxes and control the timing of passing assets to your children and grandchildren

### ► Your Strategy

Use **cash** to make your gift to Children's Defense Fund

Give **appreciated stock** or bonds held over one year

Put a **bequest** in your will (cash, specific property, or a share of the estate residue)

Create a **charitable gift annuity** or a **charitable remainder annuity trust** or **unitrust**

Establish a **deferred gift annuity**

Use **real estate** to make your gift to Children's Defense Fund

Create a **trust** which supports programs at Children's Defense Fund for a fixed, finite period with the principal going to your heirs.

### ► Your Benefits

Claim your deduction against a larger portion of your adjusted gross income and make an immediate impact on Children's Defense Fund

Buy low and give high — make a gift that costs you less than the benefit it delivers to CDF, while avoiding capital gains tax

Today — a gift that costs you and your family nothing. Tomorrow — an estate tax deduction

Receive income for your lifetime; receive a charitable deduction; diversify your holdings

A larger deduction and a higher income rate than other life-income gifts offer

Avoid capital gains tax, receive an income tax deduction — and have the option of a gift that doesn't affect your lifestyle

Reduce gift and estate taxes, and freeze the taxable value of growing assets before they pass to your family

Locate an overlooked asset that you can easily give to Children's Defense Fund

Name Children's Defense Fund as beneficiary of your **retirement plan**; leave other assets to family

Eliminate income tax on retirement plan assets; free up other property to pass to your heirs

Make an endowment gift from income rather than capital

Create a new **life insurance policy**, or donate a paid-up policy whose coverage you no longer need

Increase your ability to make a significant gift to Children's Defense Fund