Integrate Retirement Planning With Charitable Giving

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Beyond Taxes

For many Americans, giving money to charity – during their lifetime or in their will – is an important financial goal. But common sense says you shouldn't do so at the expense of other goals – for instance, educating your children or funding your own retirement. By thinking ahead, it's possible to include charitable giving in the comprehensive financial planning process.

When you integrate charitable giving with your other goals, the most important question to ask yourself is: "Do I have a heart for charity?" Don't make donations just to get a tax deduction. People tend to be bitter about money they gave away if they don't have enough assets in 10 or 15 years when they retire. The bottom line is that charitable contributions may reduce your tax liability, but make sure those dollars are truly discretionary before giving them away.

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Charitable contributions can take many forms. Most people are familiar with giving cash or checks. But it's also possible to donate stock or other securities. The advantage is that you may not have to pay capital gains taxes on any appreciation in the value of the publicly traded securities – and you may receive an income tax deduction for the current market value. Note that your choice in charitable beneficiaries may affect your allowable charitable deduction.

An increasingly popular strategy for charitable giving is the donor-advised fund, an easy-to-establish, low-cost, tax-efficient, and flexible way for you and your family to support charities and create a charitable legacy. Other, more complex, sophisticated strategies are also available, such as family foundations. Although the assistance of an attorney is needed, you and your family members can use the foundation to make gifts to your favorite charities. Other commonly used charitable vehicles include:

- **A charitable remainder trust.** You retain an income interest for a period of time. Then the assets go to the named charity. The donor gets the income plus an available income tax deduction based on the present value of the interest going to charity.

- **A charitable lead trust.** This vehicle operates in reverse, with payments first going to charity. After a period of years the assets go to a non-charitable beneficiary you select. This strategy works best for individuals who don't need the income the assets will generate in retirement but want to control who gets the property.

Giving During Retirement

Before starting the charitable giving process, determine what your passions are and who you want to help the most. Charity does truly begin at home, and you should make sure you have enough assets to maintain your standard of living in retirement. Work with your financial advisor from the beginning to confirm that you have sufficient discretionary assets to continue making charitable contributions in retirement. Computer modeling can help gauge what any financial decision – including large gifts to charity – will mean 10 or 20 years in the future, and can determine if gifts may be possible in the future after you've met your other financial goals.

Charitable Bequests

There are generally three places your money can go when you die – to family members, to charity, or to estate taxes. An estate plan can help you control who gets your money at the lowest possible tax cost. In their wills, people often list charities and the dollar amount each will receive. But make sure your estate can afford the bequests. If you make specific bequests and the market declines, there might not be enough left to take care of family members.

How you phrase provisions in your will can make a big difference. Consider, for example, a $2-million estate that makes five $100,000 bequests to individual charities. If the estate shrinks to $1 million, the charities now get 50 percent of the estate instead of 25 percent. Instead, consider leaving beneficiaries a specific percentage of your estate. With a $2-million estate, $100,000 is 5 percent. If the estate shrinks to $1 million, 5 percent is only $50,000, but more is left for family members.

Future Legacy

Often, people's charitable interests expand as retirement nears. They have a greater sense of their mortality and wonder about their legacy. Giving to charity can help add meaning to their life. With proper estate planning, you and your spouse can not only have a comfortable retirement but also leave a charitable legacy that will continue even when you're gone.

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TIPS FOR EFFECTIVE GIVING: Your Family, Your Philanthropy

By Sarah Harrison, Deputy Vice President of Philanthropic Services, The Denver Foundation

The sign in the SAME Café on Colfax reads: "It's easy to make a buck. It's a lot tougher to make a difference." SAME (So All May Eat) is Denver's first nonprofit restaurant. Its goal is to build a healthy community by providing food in a respectful and dignified manner to anyone who walks through the door. Patrons pay what they can, donate money, and volunteer time. It's a great mission, and the food's great too.

When starting and growing a culture of philanthropy in our families, we may experience this exact dilemma: we have money to give, but how do we know we're making a difference? Here are some ideas to help create and expand generosity in our families.

Discuss shared values

Identifying your family's core values and focusing on those you share can be helpful in focusing your philanthropy. What words resonate with you? Compassion? Equity? Humility? Leadership? Justice? Creativity? Identifying your values together, and discussing them as a group is a first step to understanding what you want to do together to make the community a better place.

Define shared goals

Once you know what values motivate you and your family, a next step is envisioning a future that promotes and supports those values. Together, describe the community where your values are thriving. Try framing it in words and in pictures. You are creating the blueprint for a stronger, healthier, better community.

Determine common interests

With your values and vision in place, you can begin to discuss issues to support. Ask yourselves two questions:

What do we want to maintain? You may be proud of your community's cultural offerings, or its commitment to the environment, or ongoing, important social discourse.

What do we want to change? This might include access to basic human needs for everyone, or increased graduation rates in public schools.

Framing your family's giving patterns provides focus, identifies common goals across the generations, and leads to the selection of grantee partners. It emphasizes that family philanthropy is more than giving money; it is investing in change and building a better today and tomorrow. For more family philanthropy resources, visit **www.denverfoundation.org.**