Wayne County COMMUNITY FOUNDATION

Advisor Insights

News & Resources for Professional Advisors

Hello from Wayne County Community Foundation!

Thank you for the opportunity to work together as you serve your philanthropic clients. We are grateful for the many ways our team collaborates with attorneys, accountants, and financial advisors. Whether we are working together to structure a family's Donor Advised Fund, a gift of real estate, endowed support for a favorite nonprofit, or a Qualified Charitable Distribution to a Field of Interest Fund at the Community Foundation, our team enjoys and appreciates every minute.

We're covering three topics in this issue that are very much in demand right now:

- Keep a punch list handy for your upcoming meetings with your philanthropic clients. Key items to cover include reviewing clients' charitable goals, exploring the various fund types available through the Community Foundation, and understanding the advantages of a Community Foundation Donor Advised Fund over those offered by national providers. Our team is here to help!
- Don't overlook life insurance as an effective charitable giving tool for certain clients under certain circumstances. You might find that for some clients, buying additional coverage is a solid financial move that also expands the beneficiary pool to include a charitable organization such as the client's fund at the Community Foundation.
- Keep an eye on developing news in the philanthropic sector, including the **Charitable Act** which would expand charitable deductions to non-itemizers, recent IRS rulings affecting supporting organizations, and the benefits of establishing a field-of-interest or designated fund at the Community Foundation to focus charitable support on a particular area of need (and take advantage of QCDs, too).

As always, we are here for you! We love serving as your first stop for all things philanthropy.

Wishing you and your family all the best for the Thanksgiving holiday,
~ Wayne County Community Foundation, ***Your*** Community Foundation

Tips for clients' year-end giving

Year-end giving makes up a significant portion of total revenue for most charitable organizations. Research even shows that a whopping **25%** of online giving occurs in December! What this means is that there's a pretty good chance your clients are already considering end-of-year gifts to support causes they care about, are being asked by at least one nonprofit for an end-of-year gift, or both. That's why it's important for you to talk with clients well in advance of the year-end giving rush.

Here are six tips to help jumpstart your client conversations over the next few weeks. Please give us a call if you'd like to dive deeper! We are here for you.

Check in on goals. By discussing your clients' overall charitable goals, you can ascertain which causes your clients are passionate about and why they care, how much they'd like to contribute in the short term and over time, the impact they'd like to see, and whether they intend to provide for their favorite charities in their estate plan. Against this backdrop, year-end giving strategies become easier to develop.

Explore a wide variety of fund types. Donor Advised Funds (DAFs) are very popular vehicles, and Community Foundations are ideal providers of DAFs for clients who want to keep their philanthropy local and benefit from the Community Foundation's focus, expertise, and mission-driven 501(c)(3) status. But DAFs are not the only types of funds that the Community Foundation offers. Your clients can also establish Field of Interest Funds, Designated Funds, unrestricted Community Funds, or Scholarship Funds. Our team will help you evaluate what type of fund (or funds) is best suited for a particular client. For example, a client considering a **Qualified Charitable Distribution** from an IRA is a great candidate to establish a Field of Interest or Designated Fund.

Understand the Community Foundation's Donor Advised Fund advantages. As you work with clients for whom a DAF is appropriate, be sure you understand why the Community Foundation is such a great fit for so many philanthropic individuals and families. Indeed, the Community Foundation is the truly local option for DAFs. Large, national providers associated with financial institutions also offer DAFs, but those vehicles are typically not a fit for clients who care about our community and want to support the region's nonprofits in a meaningful way.

Know how a Donor Advised Fund works. It's easy for a client to establish a DAF at the Community Foundation. After completing simple paperwork, your client will make a tax-deductible gift (of cash or, ideally, stock or other highly-appreciated asset) to the Community Foundation to fund the DAF. The funds can then be granted out to eligible charities at the client's recommendation over time. Many clients find that a DAF operates almost identically to a private foundation, but without the sometimes hefty administrative overhead costs and burdensome restrictions. A DAF can be named after the client (*e.g.*, Smith Family Fund) or named to reflect the purpose of the client's giving (*e.g.*, Fund for the Future of Wayne County), or even structured to enable the client to give anonymously.

Supercharge both tax benefits *and* giving. Giving through a DAF at the Community Foundation may allow a client to tap a helpful technique called "**bunching**," which maximizes the client's itemized deductions for the tax year, while still ensuring that the client can give strategically over the next few years to achieve charitable goals and support favorite organizations when they need it the most.

Don't default to cash. Many clients naturally think of cash as the source for their year-end giving. That's a missed opportunity! Most of the time, highly-appreciated marketable securities (or other highly-appreciated, long-term assets) are a better gift to a client's fund at the Community Foundation or other public charity because the client is eligible for a tax deduction at the assets' fair market value, and the proceeds from the sale of the assets will flow into the client's fund at the Community Foundation free from capital gains tax. That means more funds are available to support the client's favorite causes.

Philanthropy is an important topic of conversation with your clients, not just at the end of the year, but always. Our team is here to help you ensure that your clients can meet their financial and charitable goals through year-end giving and beyond.

Life insurance: A key charitable planning tool for certain clients

As an advisor, you often talk with your clients about life insurance–how much is enough and which policies are best suited for a client's particular situation. As you counsel your clients about risk management and the role of life insurance in their estate plans, don't forget that life insurance can be an effective charitable giving tool in some situations.

Many advisors overlook the ease of naming a charity as the beneficiary of a life insurance policy. Certainly, qualified plans and IRAs are a more tax-effective vehicle to leave to a charity via a beneficiary designation, but some clients might want to do even more than that. For instance, "second-to-die" life insurance policies are a common hedge or shield against anticipated estate taxes. These policies may become more popular as the estate tax exemption **drops back down** at the end of 2025.

Some clients may not be fully aware of how important beneficiary designations really are. Of course, many policyholders will first want to provide for family members in either specified dollar amounts or percentages. What some clients may not realize is that they can also designate insurance proceeds to support the causes they care about, whether by naming a charity directly or naming a fund at the Community Foundation to carry out their charitable wishes.

Increasing the coverage under an existing policy may present an additional charitable giving opportunity for some clients. Because policy premiums generally do not rise proportionately to benefit amounts, expanding the benefits can be cost efficient. For example, if a client would like each of four family-member beneficiaries to receive $250,000 from a million-dollar life insurance policy, adding $250,000 of benefit will typically not increase the premium by 25%. In fact, the benefit-to-premium ratio may improve. In a case like this, the client can name the four family-member beneficiaries and the charity to each receive ⅕ of the policy benefits. Depending on the client's overall financial and estate planning picture, a technique like this might truly deliver bang for the buck.

And although deploying life insurance as a charitable planning technique may not be a fit for every client, it's certainly worth considering in edge cases. Indeed, the global market for term insurance is **growing**—from $850 billion in 2021 to an expected $1.3 trillion by 2028. Many people buy term insurance with its relatively low fixed-rate premiums for 20 - 30 years as a hedge for potentially lost income during high-expense times in life, such as children's college years, or to pay off a mortgage. But if those years pass uneventfully (fingers crossed!), and amid an improved personal financial position, it's an opportune time to reassess and even continue the policy.

Past term insurance policy premiums can then be viewed as sunk or unrecoverable costs, and future premiums can be seen as a relatively moderate "investment" relative to the benefit. Of course, all of your clients want to outlive their policies. But as long as a policy is in effect, it offers many potential opportunities, including for charitable giving. Reach out to the Community Foundation to explore this further. We'd love to talk!

Philanthropy tips and trends

Many eyes are on the **Charitable Act**, which, if passed, would allow for deductible charitable contributions that exceed the standard deduction. The Charitable Act proposes to restore the pandemic-era "universal charitable deduction" and raise the cap from $300 for individuals ($600 for joint filers) to approximately $4,600 for individuals ($9,200 for joint filers).

Some advisors have been watching the regulations surrounding Type I and Type III supporting organizations. If you are dealing with these vehicles in your practice, be sure to stay up to date on the latest **IRS regulations**.

Finally, for your situational awareness as you advise clients who are pet owners, no amount of pet cuteness on Instagram will resolve the nationwide **overcrowding** at animal shelters. Dog and cat populations are up sharply from the pandemic due to owner-adopters returning to in-office work, inflationary costs for food and veterinary care, and owners seeking new forms of companionship. For a client who is passionate about this issue–or *any* issue–be sure to encourage your client to learn more about establishing a Designated Fund or Field of Interest Fund at the Community Foundation to support highly targeted areas of relief, *and*, for those clients who are over 70½, serve as recipients of Qualified Charitable Distributions from IRAs.

The team at Wayne County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

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