

Practical Solutions to Challenging Gifts

Kara Morin, our Senior Director of Planned Giving Services, and Ericka Webb, Executive Director of Gift Planning at Boston College delivered a thought-provoking presentation at the Planned Giving Group of New England's All-Day Conference on May 7. We can't reproduce their entertaining game show format here in print, but we *can* relate some of the practical solutions they offered to tricky donor situations.

Case #1: Donor Wants a Deferred CRUT

A 55-year-old prospect is interested in funding a deferred charitable remainder unitrust (CRUT). They don't need the income now; they think they'll be ready to start receiving it when they turn 65. What do you do? A deferred CRUT is not allowed.

- Mention a deferred gift annuity. It would allow the deferral the donor seeks and provide a reliable source of payments once they start.
- The donor "thinks" they will want to start receiving payments at 65. If they're not sure, a flexible deferred gift annuity could be a good solution. You can explain that the later the prospect starts payments, the larger the payments will be.
- The prospect is only 55, so they may prefer income with the potential to grow over fixed payments from a gift annuity. A flip CRUT could meet their needs. The flip triggering event could be their 65th birthday. Prior to then, the CRUT could be invested to emphasize growth and minimize income, thus minimizing payments. After the flip, the CRUT will distribute its stated unitrust percentage every year. This option will be viable only if the prospect is considering a gift of at least low six figures.
- Suggest funding a regular gift annuity or a standard CRUT and make annual gifts of the payments received until age 65 or whenever the prospect wants to keep the payments. They will get a deduction for each gift. With the CRUT, the gifts could go to the CRUT, thereby increasing the payments it will make later on.

Case #2: Donor Authorizes a Second QCD CGA

The good news: your donor liked funding a gift annuity with a QCD so much last year, they have authorized doing it again this year with a \$25,000 QCD. The bad news: you can fund a CGA with a QCD in one tax year only. What do you do?

- Ask the donor to consider funding a \$25,000 outright gift with the QCD. They can make outright QCDs in as many tax years as they like

and their gift will make an immediate impact.

- Follow through with the CGA, understanding that they will have to declare the \$25,000 as income, which will be partially offset if they itemize their deductions. Also, their annuity payments will be partially tax-free for many years, unlike the payments from their QCD CGA, which are 100% ordinary income.
- If fewer than 60 days have gone by since the withdrawal, the donor can return the \$25,000 to their IRA as if the withdrawal never happened, then use a different asset, such as appreciated stock, to fund the CGA.

Case #3: 40-Year-Old Wants Campaign Credit

A 40-year-old donor wants to make planned gift and get credit for it in your capital campaign. What do you do?

- Consider a CRUT that lasts for 20 years or fewer. Limiting the term this way will preserve a significant deduction for the donor and assure your charity will get the remainder in a reasonable time.
- Propose a grantor lead trust. The donor would immediately get a big income tax deduction, the trust distributions would benefit your charity starting in year #1, and the donor would get the remaining principal back when the trust ends.
- Discuss a "Parental" CGA: the donor chooses their parents, who are in their 70s, as the annuitants. The donor will get a substantial deduction, the parents will get dependable payments for life, and your charity can expect to receive the remainder in a reasonable time.

Case #4: Donor Wants to Give Real Estate

Your donor wants to give your charity real estate, but your charity doesn't accept real estate gifts because of the cost and risk involved. Possible solutions for the donor?

- Fund a flip CRUT where the flip triggering event is the sale of the real estate. Propose the donor act as trustee until the sale is complete, then resign in favor of your charity. This way, your charity is never in the chain of title and the donor is responsible for selling the property.
- Give the real estate to a donor advised fund, then recommend a grant of the proceeds to your charity. Many donor advised funds are adept at taking real estate gifts. Again, your charity is never in the chain of title.
- If the real estate is a personal residence and the donor wants to keep using it, a retained life estate could work nicely. The donor would be responsible for maintenance and taxes while the life estate is in place. However, your charity would be the title-holder, which might or might not be a deal-breaker. ☹️

A donor expresses interest in a deferred CRUT. That's not allowed, but there are at least four alternatives you could suggest that may achieve the donor's goals.

A donor wants to give your charity real estate. There are at least three ways to reduce the cost and risk to your charity of accepting the donor's gift.