REGIONS

# Regions Wealth Podcast

**Episode 9: Every Good Deed**
When it comes to charitable giving, it can be hard to choose where to donate your money. What steps should you take when developing your charitable giving strategy? And what's the best way to handle estate donations to charity? Senior Vice President and Fiduciary Area Business Manager Michele LaPorte joins us to discuss charitable giving through estate planning.

## *Episode Transcript*

**Anne Johnsos:**
Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host, Anne Johnsos.

You want to use your money to support causes you care about, but with nearly 1.3 million charities in the U.S. alone, it can be hard to choose where to donate. How can you make sure your money is doing what you want it to do, and going where you want it to go? Joining me in studio is Michele LaPorte. She's a senior vice president and trust area business manager at Regions. Michelle, thanks for joining us.

**Michele La Porte, Senior Vice President and Fiduciary Area Business Manager, Regions Bank**
It's great to be here.

**Anne:**
In this episode, we're talking about charitable donations. We've taken frequently asked questions from a bunch of people and developed a character who needs your help. Let's listen.

**Helen:**
Hello, I'm Helen. I'm 66, retired six months ago, and I'm deeply bored. That's not completely true. I'm on the advisory board for the library and the history museum, I volunteer as treasurer for my local Assistance League, I play in a doubles tennis group at the club and I've got two Shih Tzus with a lot of energy. But I had all that and an executive position at a Fortune 500 company six months ago, so I've got some downtime. I've had a really wonderful career. I connected with an amazing mentor early on, and we worked together at three different companies over 20 years. Carolyn taught me a lot about business, but also about investing and giving back. She died last year and I really wanted to do something to honor her memory and everything she did for me. I've given it a lot of thought and since Carolyn was such a big advocate for working women, I think a fitting tribute would be for me to support one or two

charitable groups that help women. I've spent some time working out a set amount that I'd like to designate for this purpose. It's a pretty large sum, but I've been quite fortunate in my lifetime and believe it's my duty to give back. Besides, I can't take it all with me anyhow! I'm still trying to decide if I should leave this money to charity in my will or donate it now in one lump sum. My instinct is telling me to simply donate it now and keep it discreet.

**Anne:**
Helen is trying to choose between donating this money now or leaving it in her will. What are the pros and cons of each of those?

**Michele:**
Well, there's a number of pros and cons. When you are giving now, it's a fantastic rewarding feeling. You can see your money going to work. You can go by and visit the charity and see what's happening there. And you should. You definitely should do that. And that's a big plus to giving now. And you also too want to make sure you do your due diligence with that charity. Is this what they call a 501(c)(3) charity? And look it up on the IRS website. It's actually fairly friendly. Make sure that this is what you think it is. And for a charitable deduction, there are great charitable deductions when it comes to giving to charity. Just make sure that just because it's a not-for-profit doesn't mean that it's a charity that has maybe the donation level of deduction that you're possibly looking for.

A con of giving now is, have you done your financial plan? Do you know that what you're giving isn't going to be basically overspending for what you need for the remainder of your life? So that's a con of giving now. You need to really have been well planned. Conversely, you could give to a charity, and, through your will, of course. Everybody sees your legacy. It's delineated. It's out there for everybody. They know what your plans are. You just need to make sure that when you are giving through your will, that you've structured that correctly. So those are some of your pros and cons. Those are some things that you're thinking about, even now, versus later.

**Anne:**
So if Helen decides to incorporate this donation into her will, how should she structure it?

**Michele:**
One thing that she should very much keep in mind when she structures into her will is thinking of percentage versus lump sum. When you give in a lump sum, you say, "I want to give a $100,000 bequest to the X charity." That might be all well and good when you have, let's say, a million dollars that is going to go down to your inheritance, and your children are going to have 900 and the charity is going to have 100. That sounds great. But what if, during your life, your estate depletes to $500,000? Now that $100,000 has become one fifth of your entire estate going to charity, and that's maybe not what you meant. It would have been much better to say, "I want 10% to go to charity," and that way, if you still have that $1 million,

$100,000 goes, but if not and you've gone down to 500, then $50,000 goes to charity. Things stay more in line. So you really want to watch how you're structuring that.

**Anne:**
So I've read about charitable remainder trusts and charitable lead trusts. How do they differ, and what are the benefits of each?

**Michele:**
Well, there's a very kind of subtle difference, and whenever I'm trying to teach my customers what is the difference between a charitable remainder versus lead, focus on the word "remainder" and "lead." Lead basically means the charity is going to start to get payments from the trust right now. It's leading off with payments to the charity. Remainder means they'll get their donation later; right now, there's going to be payments that come to the donor. So that's basically the difference between the two is, are the payments coming to the donor now, or are they going to the charity now? Going to charity now is lead; going to the donor now is remainder. And that's the basic difference. You always get a, you know, a charitable deduction for both of them, but that's really the main thing that you're thinking about.

**Anne:**
Yeah, that makes sense. Thanks for clarifying those differences. OK, let's listen to Helen again.

**Helen:**
While I'm loath to admit it, I suspect my children may give me a bit of grief over leaving such a large portion of my estate to charity. And while I suppose I could just slip it into my will without discussing it with them, I'd like to avoid springing any unexpected surprises upon them after my passing. Also, while I know this shouldn't be a motivating factor, there's an obvious tax benefit to donating now. I'd hate for any deductions to be completely forfeited. Additionally, the two nonprofits I'm planning on leaving my money to are very early stage. What if, heaven forbid, things don't pan out for them and they're no longer active at the time of my passing? Would the money just be eaten up by the state?

**Anne:**
OK. So it seems like the desire to claim charitable tax deductions is influencing Helen's decision to donate the money now. Would she really be forfeiting potential tax breaks by leaving the money in a trust?

**Michele:**
No, she would not. She really needs to kind of take a look at her particular situation. If she can go ahead and she can, based on her financial plan, give money now, that's fantastic. She can get up to 50% of AGI deduction. Fantastic, good for her, depending on the charity and depending on what type of gift it is. However, she could still consider a charitable remainder

trust. If she has low-basis stock that she could put in there and not have to incur those gains on that sale, such that she would have the ability to actually give them more money, she's not only getting her tax deduction right now for the donation to the charitable remainder; she's also avoiding capital gains taxes on the sale of very low-basis stock.

**Anne:**
That does sound like a win-win. So Helen says the—Helen says the non-profits she's hoping to support are in their early stages. What would happen if one or both were no longer in existence at the time of her death?

**Michele:**
I've seen this before. We've had donors that have gone ahead and made mention to a certain charity in their will, and then unfortunately the charity is not around when it comes time to go through and take care of their estate. What do you do? Well, most of the time we're going to advise that you have backup charities named. But even further, though, what was your intent? In Helen's case, she wanted to give to women-supporting causes. So if both of her charities are gone, letting the executor know, "I want to give x portion of my estate to women-supporting causes, and I want you to check it out," for example. And you could do this. There's some fantastic websites that will let you know the ratings of charities, how they have impact in their community, and you can maybe actually guide that in the wording of your document, and say, "OK. I want you to go ahead. I want them to be a top-rated, women-supporting charity." And that would be your best way to cover that. Make sure your contingencies are covered in the wording of your document.

**Anne:**
Helen mentions she has children and they might not be all that excited about her charitable giving. What's a good way for her to start the conversation with them so they know that this is going to happen?

**Michele:**
Conversation is very important. I am sure her children know she has charitable intent. I have a feeling that she is a charitably inclined person. This is not going to be a surprise to them. So having a good conversation around that, that "I am giving to charity." If she is very concerned that, you know, "I think this is going to cause some rift," she can think of another way. There is another alternative. You know, we've talked about giving now, giving in a trust, giving a bequest as a percentage in a will. There's a fourth way. The fourth way would be to her to get, purchase, or maybe even has a current life insurance policy; name the charity both the owner and the beneficiary of the life insurance policy for the amount of money that she wants to bequest to them. What happens with this? Well, actually, the life insurance policy itself, the cost of that, is a charitable deduction. The continuing premiums are deductions. So she's getting some deductions during lifetime which was something that's very important to her. And in the end, that large lump sum that's coming out of the life insurance policy is going

directly to the charities that are the beneficiaries of it. Thus, her children's estate isn't touched in any way. They 100% get what's coming from mom. It's a good workaround. Something to consider.

**Anne:**
So Helen believes there are obvious tax benefits to donating now. Are they obvious?

**Michele:**
She really needs to confirm that with her CPA. The two of them should sit down, take a look at what she would like to donate and to whom she would like to donate. Helen's situation is going to be different than your situation. So you really need to sit down with your tax professional and check to make sure everything is all set.

**Anne:**
Yeah, then you can tailor a plan to work for your situation. Alright, let's hear more from Helen.

**Helen:**
Of course, there's one major downside to making the donation now: I'm simply not psychic! I'm in perfect health for my age and expect to be around for quite a few more years. I've worked hard to plan ahead, and I do believe that I've set myself up to live the rest of my years in comfort. But what if something changes? What if I suddenly find myself in need of those funds? I'm having a great deal of difficulty making this decision. It's a large amount of money, and I want to ensure I'm doing this right -- for me, for my family, and most of all, for the organizations I'm hoping to support.

**Anne:**
It sounds like Helen would prefer to donate money now, but she's concerned about the impact on her financial stability if anything changes in her future. Is there a good solution that would allow her to donate money now while still ensuring her financial stability?

**Michele:**
Absolutely. Her solution is to sit down with her Regions advisor and really make sure she understands holistically where she stands. What can she afford to give now? What would be better to give later after her passing? This can be done by looking at a plan, making sure that everything is working together. If she has so much income coming from her portfolio, well, let's stress-test that. What happens when we have a down economy? Will she still meet her lifestyle expenses? Can she still meet her healthcare costs? What about assisted living in the future? It may be a possibility. With her Regions advisor, she can factor in all those different layers, making sure she does have the income that she needs to sustain her lifestyle as she thinks she does. And then she can give confidently now or later, based on what she now knows from looking at her plan.

**Anne:**
Are there any other ways Helen could give now?

**Michele:**
Yes, actually. She has one that's very close on the horizon for her. Helen's 66. When she turns 70 and a half, her retirement plan, her IRA, is going to require her to start taking distributions. Everybody's IRA when they—traditional IRA—when they turn 70 and a half, requires them to take an annual amount every year. Since she has charitable intent, she could give up to $100,000 of that distribution to charity every year. So great you're giving your money to charity, but what does that do on her tax return? It removes it from income. So that 100,000 more she would have had to report for income is now gone, and it's sent to charity, therefore her bottom line in taxes has also had a great savings.

**Anne:**
Great. So what's a good way to research the tax-exempt status of a charity?

**Michele:**
The best thing to do is go to the IRS website — IRS.gov. Take a look at the tax-exempt organization search. In there, you're going to find out if this is what they call a 501(c)(3) organization. Then you'll know you have a qualified charity and one that you can feel confident in directing your donations to.

**Anne:**
Absolutely. That makes a lot of sense. So at the end of these podcasts, we like to ask for a few takeaways, something maybe one of our audience members might tell a friend. So what can you offer as takeaways?

**Michele:**
I think one of the most important things, when you're considering your charitable donation—be sure you know your charity. Make sure you've done your due diligence. Who are they? Are they making an impact in their community? That's so important. Then you need to look inward. Do I want to donate now and see the impact of my own giving? Later as a legacy? These are questions that only you can answer. And you really do need to sit down and understand your financial position. Sit with your Regions financial advisor. Do you know if you can donate now without hindering your lifestyle expenses and hindering what you would like to do in the future? And then a part of this too we've discussed is just your estate documents. Make sure if you're having a will with your charity named, make sure that you've named that exact charity. If it's in your local community, name that exact local community charity. Visit that often, too. Make sure that what you hope to accomplish with your charitable intent is fully delineated with backups and a discussion or verbiage that will cover your intent for your donation.

**Michele:**
Then you know that your executor will carry it out for you. Very important to assume nothing, have it all in writing.

**Anne:**
Thank you so much, Michele LaPorte, a senior vice president and trust area business manager at Regions. We have learned so much. Thanks for joining us.

**Michele:**
It has been a pleasure to be here. Thank you.

**Anne:**
That's it for today's episode! We hope you'll join us again for a new financial topic with fresh insights from a Regions advisor. Until then, thanks for listening to Regions Wealth Podcast

**Anne:**
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