



BASIC GIFTING TECHNIQUES

More than ever, charities depend on the individuals who financially support their important work. Massive cuts in federal and state funding reflect government's increasing reluctance to fund even the most worthwhile charitable endeavors. The message is clear to all who care about charitable causes: funding today and in the future must come from you, the individual donor.

While charitable organizations depend on the cash flow from regular contributions to cover day-to-day expenses, it is the funding from contributions above and beyond regular contributions which allows the charity to survive—and thrive—beyond today. The ability of the organization to remain financially strong is, in fact, of great concern to its devoted members. At the same time, donors can realize potentially significant estate and income tax savings through these larger gifts.

Here are several ways you might want to consider gifting:

- **Outright Gifts** – Cash, check, charge or transfer title to the charitable organization. While the amount of the gift may be unlimited, there may be limits on the income tax deductions depending upon the type of the gift and your income. You have no retained interest in the gift.
- **Matching Gifts** - (To be completed by local charity.)
- **Gifts of Insurance** – By making the charitable organization the owner and beneficiary of a life insurance policy, you leverage current dollars into a significantly larger gift. You have no retained interest in the gift, but you may get to deduct the premiums on the policy.
- **Pooled Income Funds** – The contributions of several large donors are placed in one large trust that can provide you with income for the balance of your life, after which the charitable organization owns the property. You have no capital gains tax, and the gift is partially deductible for income taxes. This is an irrevocable donation.
- **Charitable Remainder Trusts** – Your property is donated to a trust that has the charitable organization as the beneficiary. You can receive income for your life or until the death of the surviving spouse after which the trust assets are the property of the charitable organization. There are several versions of the CRT – The Charitable Remainder Unitrust that has a variable level of income to you and the Charitable Remainder Annuity Trust that has a fixed amount of income to you. This is an irrevocable gift and is partially deductible for income tax purposes.
- **Charitable Lead Trusts** – You can donate the income from the gift while the trust is in existence and you continue to own the principal. When the trust is terminated, the principal passes to your chosen beneficiaries or back to you.
- **Wealth Replacement Trusts** – With the Wealth Replacement Trust you make an irrevocable gift to a charity. The money saved from the tax deduction is used to replace the value to your heirs that would otherwise be lost.

Each of these techniques has different ramifications to your tax and financial situations. It is important that you seek qualified legal and tax advice before making any decisions.



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