



## Planned Giving

### Gifts That Provide Income to You and Others

Did you know that there are ways to make gifts to benefit charities while first retaining income for yourself or your loved ones?

These gift plans may enable you to make gifts you never thought possible as the result of income, gift, and estate tax savings; tax-free asset growth; professional asset management; and other financial and estate planning benefits.

Making charitable gifts does not mean sacrificing your own or your loved ones' financial security. In fact, Congress has provided a number of tax and other financial incentives so that giving in this way can result in meeting a number of goals including:

- Increased spendable income from low-yielding stocks, bonds, or other assets.
- A welcomed source of income to help cover expenses in pre-retirement years.
- Supplemental retirement income that is permanently set apart from other assets.
- Income for yourself, a spouse, or other loved ones in the future if needed.
- Assistance for parents or other loved ones in their later years.
- Providing funds to cover education or other expenses for children or grandchildren.

### Charitable Gift Annuities

A charitable gift annuity can be a great way to support a charity's work while enjoying a source of additional income.

**Charitable gift annuities** are convenient and simple to establish. There is no need to change your will or other estate plans to fund a gift annuity.

#### How a charitable gift annuity works:

- You transfer cash or other assets to your charity of choice and in return receive payments annually (or more frequently, if desired).
- The payment amount is fixed and will not change with interest rate and investment market fluctuations.
- Part of each payment is received free of tax for a period of time.
- You are entitled to an income tax deduction equal to the value of the gift portion of your annuity.
- Since the gift portion of your annuity will be used for charitable purposes, the amount of your gift annuity will generally not be included in your taxable or probate estate.

As part of their retirement planning, many persons choose to fund more than one gift annuity over time. As payment rates increase with age, each gift annuity generally features higher payments.

Sometimes funding a gift annuity with property such as stocks, mutual funds, or other securities that have increased in value but yield less income than desired, is a smart way to give. *(Continued)*

To learn more about **Planned Giving**, please contact:

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The payments and your charitable income tax deduction will be based on the full value of the property, not the original cost, and so additional tax savings may be possible.

You can also establish a deferred gift annuity. Your gift is completed now, and you receive an immediate income tax deduction for the value of the gift portion of the annuity. The payments will begin at least one year after the annuity is funded. By delaying your payments, your tax deduction and payment rates will be higher.

## Charitable Trusts

**Charitable remainder trusts** are a type of trust that can offer a way to make a future gift after first providing a source of fixed or variable income for yourself and/or others.

### Here's how a charitable remainder trust works:

- A trust is professionally drafted by those you choose.
- Assets are transferred to the trust to be managed by you or another party you choose as trustee.
- Payments are made from the trust to you and/or others you name for life (or other permissible period of time you determine).
- You are entitled to a federal (and perhaps state) income tax charitable deduction and you may enjoy capital gains tax savings in the year you create the trust.
- Amounts used to fund your trust may not be part of your probate or taxable estate.
- When the trust ends, its remaining assets become a gift to your charity of choice. This gift portion is known as the charitable remainder.

There are two primary types of charitable remainder trusts. A **charitable remainder unitrust** provides an income that can vary over time, while a **charitable remainder annuity trust** makes payments that are fixed and predictable over time.

**Charitable lead trusts** can be used to make immediate gifts to your charity of choice. These gifts continue for the period of time that you choose. At the end of that time period, assets remaining in the trust are returned to you or other loved ones you determine.

### Consider the benefits of a charitable lead trust:

- You arrange for charitable gifts that begin immediately and continue for as long as you decide.
- The amount of the charitable gifts can be fixed or fluctuate over time.
- You or your advisors can continue to manage the funds in the trust, if desired.
- Such a gift can serve to reduce or eliminate income, estate and gift taxes both now and in future years.
- You may be able to provide your heirs with a larger inheritance than would otherwise be possible at a time when it is more appropriate that it be received.

Gift and estate taxes can be due on amounts over a certain amount given to others during your lifetime or through your estate. Depending on the amount of the payments from a lead trust, how long they last and other factors, it can be possible to greatly reduce, or even entirely eliminate, gift and estate tax on any amount received by heirs at the termination of the trust.

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