NREF
NEUROSURGERY RESEARCH
& EDUCATION FOUNDATION

CHARITABLE GIVING STRATEGIES

Guide to Estate Planning with the NREF

PLANNED GIVING

Philanthropy can be structured to achieve many benefits for both you and the Neurosurgery Research & Education Foundation (NREF). Acquiring these benefits in a tax-efficient manner is called planned giving. A planned gift is any major gift made during a donor's lifetime or at death that is part of a donor's overall financial and/or estate plan. As part of a planned gift, consider not only what type of assets to give — cash, appreciated securities/stock, partnership interests, life insurance, retirement plan assets, etc. — but also what type of gift makes the most sense in light of personal circumstances, goals and objectives. The following is a brief summary of planned giving techniques to consider:

> **OUTRIGHT CONTRIBUTION** is a donation of cash or other property to the NREF. While cash is wonderful for a foundation to receive, it may not be the best asset for the donor to give from a tax perspective. Instead, when making an outright gift, consider giving assets that will maximize wealth by reducing overall exposure to taxes.

For example, one could give retirement plan assets, which have a built-in income tax liability, or assets that have appreciated significantly in value and have a built in capital gains tax.

The IRA Charitable Rollover allows individuals 70 ½ or older to make a tax-free Qualified Charitable Distribution (QCD) using funds transferred directly from and IRA to NREF. This means you can donate up to $105,000 from your IRA in 2024 without having to count the distribution as taxable income. And if you are at least 73 years old your QCD may count toward your required minimum distribution (RMD) for the year.

Assets that have appreciated significantly since purchase — such as securities — are also attractive assets to give, because they offer a double benefit when transferred to the NREF. First, you will receive an income tax deduction and then you will avoid capital gains taxes on the appreciation.

> **DEFERRED GIFTS.** To keep assets during your lifetime, consider a deferred gift. A bequest to the NREF through one's will or other estate planning documents can reduce or eliminate estate taxes.

Alternatively, to transfer an interest in some assets, but retain an income interest in the transferred property, consider one of the following Life Income Plans: a charitable remainder unitrust, a charitable remainder annuity trust or a charitable gift annuity.

- **Charitable Remainder Trusts.** With a charitable remainder trust (CRT), an irrevocable transfer of assets is made to a charity while retaining an interest in the donated assets or providing another individual or entity with an interest in the donated assets for a specified period of time, which must be either for the life of the non-charitable beneficiary, the lives of two or more non-charitable beneficiaries or for a specific term of years not to exceed 20. The non-charitable beneficiary of the CRT receives a stream of payments for the specified period of time. The remaining assets are transferred to the charitable beneficiary. CRTs can be structured as either a charitable remainder annuity trust (CRAT) or a charitable remainder unitrust (CRUT).

  A CRAT pays a defined annuity, at least annually, to the non-charitable beneficiary regardless of the value of the trust assetsor the income generated by the trust. The defined annuity is based on the initial fair market value of the trust assets. A CRUT, on the other hand, pays a defined percentage of the net fair market value of the assets of the trust, valued as of a certain day each year, to the non-charitable beneficiary. Thus, the annuity payment from a CRAT does not change, while the annual annuity payment of a CRUT will increase or decrease each year depending on the investment performance of the underlying assets. Upon termination of the CRT, the remaining assets pass to the NREF (or any other named charity).

o **Charitable Gift Annuity.** A charitable gift annuity is another way to ensure lifetime payments from property contributed. A charitable gift annuity is a contract rather than a trust, under which one makes an irrevocable gift of money or securities to the NREF and receives a fixed dollar amount annually for life. The annual payments are determined by one's age at the time of the gift. Unlike a CRT, a charitable gift annuity has no limited group of funds or trust principal from which future annuity payments are to be made. Instead, the annuity payments become a general obligation of the issuing charity, backed by all of its assets.

> **WEALTH REPLACEMENT TRUST.** If a donor is reluctant to establish a CRT or a charitable gift annuity because it will reduce the wealth available for descendants, then establishing a wealth replacement trust (WRT) is a viable option to consider. A WRT is a trust that is used in conjunction with a CRT to achieve benefits for both the desired charity and descendants. With a WRT, the income stream from the CRT funds an insurance policy on one's life that is owned by a trust, which is designed to benefit one's children (or more remote descendants) and is not considered part of the taxable estate for estate tax purposes. At death, the assets in the CRT passes to the NREF, and the insurance proceeds are distributed to the WRT for the benefit of the donor's children (or more remote descendants) without being exposed to estate taxes. By combining a WRT with a CRT, beneficiaries receive the insurance proceeds to replace the assets the charity receives at the end of a CRT's term. The benefits of this strategy, beyond simply giving such assets to the beneficiaries, include an immediate income tax deduction for the donor, deferral of capital gains tax, and estate tax savings.

> **CHARITABLE LEAD TRUST.** A charitable lead trust provides a current, annual stream of income to the NREF for a designated period of time. After that designated period of time, the trust principal reverts to the donor or other beneficiaries named in the trust. This is a giving strategy that is often utilized by wealthy individuals who do not need a current benefit from the assets and want to benefit the NREF while simultaneously creating a structure that will pass assets to their descendants (or other beneficiaries) at a reduced, or eliminated, estate and gift tax cost.

2024 Tax Implications on Charitable Giving

o The amount of tax-deductible cash charitable contributions increased from 50% to 60% of adjusted gross income (AGI).

o The 3.8% Net Investment Income Tax (NII) remains in effect for high-income taxpayers (filing jointly AGI of $250,000 or greater; single AGI of $200,000 or greater – these threshold amounts are not indexed for inflation). Starting in 2024, a new net investment tax will be created on individuals, estates, and trusts equal to 1% of net investment income over $1 million.

o Capital gains rates will not change in 2024, but the brackets for the rates will change. Most taxpayers pay a minimum 15% rate, but a 20% tax rate applies to the extent that taxable income exceeds the thresholds set for the 37% ordinary tax rate. Exceptions also apply for art, collectibles, and section 1250 gain (related to depreciation).

o **Gifts of appreciated assets are now more valuable.** The state and local tax cap of $10,000 causes the effective capital gains rate to increase for taxpayer's living in states with a separate state income tax.

o **Bunch Deductions in conjunction with a Donor Advised Fund (DAF).** With a higher 2024 standard deduction ($14,600 for individuals and $29,200 for married couples), combined with the $10,000 state and local tax deduction limit, consider bunching charitable cash gifts to allow for the most tax deductibility. For instance, you can make a $20,000 gift to a DAF in a year and get the full charitable deduction in that year, but direct the DAF to make gifts to the NREF over two or more taxable years.

Visit www.NREF.org/Donate to learn about the ways your support makes a difference.

TAILORING A GIFT

A sound approach to charitable gift planning is to match an intended contribution with one's stage of life, finances and tax considerations. This chart reviews various gift plans related to age, income level and estate size and explains the benefits to both the donor and the NREF.

Gift Type	Donor Criteria	Donor Benefits	NREF Benefits
Cash (outright gift)	Any age and any income/ estate level	Income tax deduction	Immediate use
Direct Gift from IRA	Account holder is age 70 ½ or older as of the date of distribution (distribution cannot exceed $105,000 per year)	Excludes the IRA distribution from income, which lowers a taxpayer's ad-justed gross income and can have several indirect tax benefits	Immediate use of the IRA distribu-tion
Long-term Appreciated Securities (outright gift)	Any age and any income/ estate level	Income tax deduction; avoidance of capital gains tax	Immediate use of income or sale proceeds
Life Insurance Policy	Any age and any income/ estate level	Current and possible future income tax deductions	Ultimate use of policy proceeds
Bequest	Any age and any income/ estate level	Estate tax savings	Ultimate use of gift
Charitable Gift Annuity*	Over age 60 and retired, with a modest income/ estate	Fixed lifetime payments (partially tax-exempt); estate and income tax savings	Ultimate use of gift
Charitable Remainder Annuity Trust	Over age 60 and retired, with a high income and sizable estate	Fixed lifetime income; estate and in-come tax savings	Ultimate use of gift
Charitable Remainder Unitrust	Age 60-75 and retired, with a high income and sizable estate	Variable lifetime income as inflation hedge; estate and income tax savings	Ultimate use of gift
Wealth Replacement Trust	Wealthy individual (facing possible estate taxes) who wants to benefit the NREF, but not at the expense of descendants	Provides income stream that can be utilized to fund a life insurance policy which passes to one's children free of estate and income tax	Ultimate use of property transferred to CRT
Charitable Lead Trust	Over age 60 and retired, with a high income and large estate	Ability to pass property to others with reduced gift and estate taxes	Use of income for the term of trust

**Not available in some U.S. states or from some organizations.*

EXAMINE THE BENEFITS

Your commitment to neurosurgical research and education is the most important reason to contribute. Once the decision is made, consider the financial benefits. Depending on how the gift is structured, the benefits include:

> **SAVE ON INCOME TAXES:** To encourage private contributions, the U.S. government allows charitable gift deductions on income tax returns, provided deductions are itemized.

> **REDUCE ESTATE TAXES:** Gifts to the NREF, either now or after one's lifetime, avoid the federal estate tax by qualifying for an unlimited estate tax deduction.

> **RECEIVE INCOME FOR LIFE:** In the U.S., when implementing certain planned-giving strategies, you can designate a gift now, obtain a current income tax deduction and receive an income stream for life (and the life of one or more survivors, if desired.) In addition to the income stream, a "Life Income Plan" (referring to strategies that provide an income stream) can provide several other benefits:

- **Unlock appreciated investments and increase your income yield.** You may have assets that have grown substantially in value, but have a low current income yield. If you sell highly appreciated securities and pay the capital gains taxes, there would be fewer assets to reinvest to produce income. If you give the appreciated assets to the NREF, the NREF can sell the assets without incurring capital gains taxes and invest the entire sale proceeds in high yielding assets that can be used to provide you with an income stream for life, while supporting neurosurgery's research and education needs.

- **Secure professional management.** With a Life Income Plan, the trustee selected handles the investment responsibilities associated with the assets contributed.

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