Janus Henderson INVESTORS

CHARITABLE GIVING

Foundations of Estate Planning

Creating an estate plan is an important part of managing your wealth. To help simplify the process, we have created a series of frameworks to help clients work through the process.

In this guide, we address efficient and effective methods of **charitable giving** and its incorporation into investors' tax and wealth transfer goals.

While this educational tool is not intended to provide tax or legal advice, it can help investors prepare for wealth transfer issues and decisions commonly faced by families.

The list below should be viewed as a framework and may be completed or reviewed based on your specific situation.

1. To whom will you give?

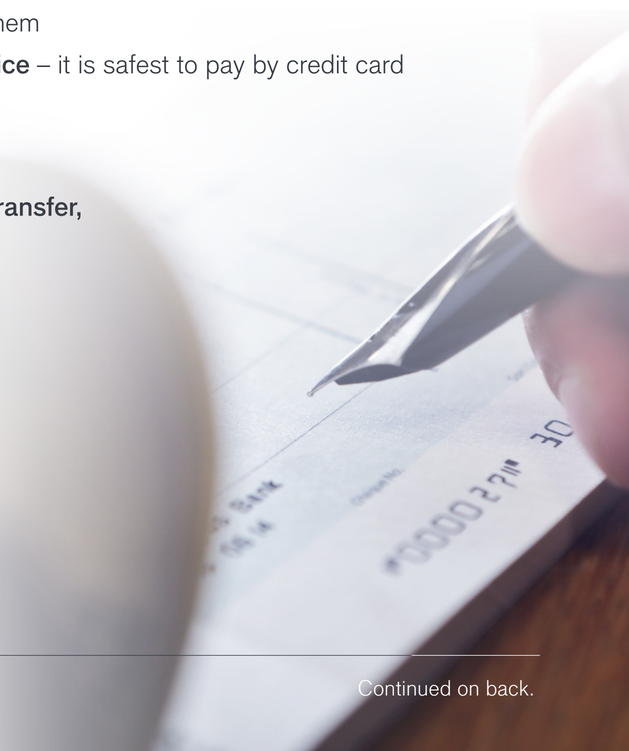
For those looking to achieve a tax deduction, **confirm the ability of the taxpayer to itemize deductions and the tax-exempt status of the entity.** You can leverage the IRS Tax Exempt Organization Search to confirm. Keep in mind that a nonprofit organization is not necessarily a charity – "nonprofit" simply means they do not seek to make a profit on their activities. Some common examples of nonprofits that are not charities are trade groups and political parties. The deductibility of a gift (and the extent of that deductibility) can be influenced by the type of property gifted and whether any premium is received in return for the gift. Beware of fraud – the Federal Trade Commission suggests the following:

- **Review and investigate** the charity before donating:
  - Search online with the name of the charity plus words like "complaint," "review," or "scam"
  - Ask how much of your donation will go to the work of the charity (versus fundraising)
  - Learn more by seeing what organizations like the BBB Wise Giving Alliance, Charity Navigator, CharityWatch, and Candid say about how a charity conducts business and spends money
- **Double check the name** – scammers sometimes use names that sound like real charities
- **Don't rush** – scammers love to pressure you to make fast decisions and pay them
- **Avoid donations by cash, gift card, cryptocurrency, or money transfer service** – it is safest to pay by credit card
- **Report charity scams** at ReportFraud.ftc.gov

2. Why are you giving?

Investors have a myriad of choices when making charitable gifts. **Social, wealth transfer, and personal goals, as well as tax deductibility,** all factor into a final selection. Clarifying your true motivator is an essential step in successful charitable giving.

- What social goals are you trying to achieve by making a gift?
- What is your overall estate plan and how does this charitable gift further your wealth transfer goals?
- Are you trying to achieve tax benefits? (We recommend discussing income, gift, and estate taxes with your accountant/tax preparer)
- What personal benefits are you trying to achieve?
  - Personal satisfaction and appreciation
  - Initial approach to family governance
  - Qualification for a premium



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3. What do you intend to give?

The asset gifted can have a great deal of bearing on the effectiveness of the charitable gift at addressing the needs of the charity as well as its tax efficiency and deductibility for the giver of the gift.

- **Cash:** Easy to give, no valuation questions, maximum deductibility
- **Stock:** Easy, more efficient, maximum deductibility; value of contributed stock is average of high and low market price on date of contribution
- **Personal property:** Valuation and record-keeping required, limited deductibility; value of the deduction of appreciated property owned for more than one year is normally equal to the property's fair market value
- **Real property:** Valuation and record-keeping required, limited deductibility
- **Time:** Most valuable gift, generally not deductible

4. How should you give?

How a charitable gift is made is driven entirely by the donor's goals, whether maximizing the value and liquidity to the charity, receiving a revenue stream in return for the gift, a premium gift or access in return, or incorporation into the donor's estate plan.

- **Direct donations:** Provides maximum value and immediate liquidity for the charity
- **Gifts "with benefits":** For donors who wish to receive a premium, access, or naming rights on a building or program (this may affect deductibility)
- **Qualified Charitable Distributions (QCDs):** Direct distributions from IRAs satisfy required minimum distribution limits and shield QCDs from income
- **Charitable gift annuities:** The recipient charity receives an immediate gift and agrees to provide a series of payments back to the donor
- **Charitable Remainder Trusts:** Similar to a charitable annuity; provides potential income tax benefits and an income stream of payments to the donor while creating a future gift for charity
- **Charitable Lead Trusts:** Allows for gift and estate tax benefits to the donor while helping achieve donor's wealth transfer goals
- **Donor Advised Funds:** Sponsored by a public charity, so maximum deductibility; allows contributions to be concentrated in a single year and distributions to be made over time
- **Private Foundations:** Provides limited deductibility but maximizes ongoing control of investment and distribution of charitable funds; a distribution of 5% of fund assets is required each year

5. When should you give?

- When a charity has a need
- When the donor has a purpose
- Tax benefits
  - Income tax: Timing matters; a charitable gift is not complete for income tax purposes until it is irrevocably out of the donor's control
  - Estate tax: There is an unlimited charitable deduction against estate taxes
- Fundraisers
- To provide for a specific charitable purpose, such as a building fund

NEED MORE INFORMATION?

In all cases of significant charitable gifts, please seek financial, legal, and tax counsel, keep records, and obtain receipts.