Philanthropy

2010 CHARITABLE GIVING OPPORTUNITIES

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This white paper discusses charitable giving opportunities in 2010 presented by a number of circumstances. It identifies opportunities and challenges, discusses issues, and offers solutions to help you give more effectively.

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Introduction

With proper planning, charitable giving benefits both the philanthropist and the charitable organization. Without proper planning and financial discipline, a charity can squander the philanthropist's largess. Similarly, the philanthropist must take financial, tax and estate planning considerations into account to maximize the value of a gift.

The current economic environment presents enormous challenges for charitable organizations including meeting a growing need for their services. At a time when charitable donations are dearly needed, they have been and are expected to continue declining.

Add to that the fact that some recent legislative proposals and expiring federal tax provisions, instead of fostering philanthropy, may reduce donor incentive. How? They limit federal income tax benefits available for charitable donations, making giving less tax advantaged.

The economic and federal tax situations have caused many to rethink their charitable donations. Too often they feel the uncertain economic environment and federal tax situation limit their ability to give to charity. They may have anxiety over their financial futures. Or, they may not know how to optimize their charitable giving through proper planning. They are not alone.

Many compassionate philanthropists regularly make generous charitable donations. They may be motivated to help their local communities. They may donate to further specific medical research, to support religious organizations or to fund educational endeavors. Such ad hoc philanthropic programs are rarely optimized. However, philanthropists can optimize their charitable donations. It takes only a little forethought to donate more to the charity with the same out-of-pocket expense.

A philanthropist's optimized plan is a well-conceived and executed one. It has an enhanced and significant impact on the receiving charities, as well as the donating philanthropists and their loved ones. And all plans are different.

Each philanthropist has his or her own needs and desires, and an optimized philanthropic plan looks at the situation from the philanthropist's point of view.

But how is a philanthropic plan optimized? First, consider the philanthropist's personal financial situation, as well as his or her wealth transfer and other planning goals. Next, identify the charitable intent. Finally, combine the proper strategies and techniques to provide the optimal blend of:

- Funds available to benefit a favorite charity(ies)
- Lifetime income and other benefits for the philanthropist and loved ones
- Income tax benefits for the philanthropist
- Estate tax benefits for the philanthropist's estate

How is a philanthropic plan optimized in 2010? It takes additional knowledge. Sharing that knowledge is among the purposes of this white paper. In addition to educating readers as to the looming tax trap for future years' charitable donations, this white paper addresses current financial planning opportunities. Working closely with your financial advisor is essential to fully integrating philanthropy into a comprehensive financial plan. It also requires thoughtful legal and tax advice delivered by experienced attorneys and CPAs.

A Brief Background

Each philanthropist has different expectations with respect to his or her philanthropy. Many want to help ease a need of their fellow man. Family elders may want to help a younger generation learn to share their own good fortunes. Others may want to honor or preserve the memory of a loved one. Whatever the reason, philanthropy itself bestows many benefits on the philanthropist including an income tax deduction for donations made to qualified charitable, educational, literary, religious or scientific organizations.

Congress has a long history of encouraging individual philanthropy. The Congressional Record of 1917 shows us that learned legislators then, as do many tax policy commentators today, believed private charities can provide social services more efficiently than the government.[1] They also believed that philanthropists should have the right to direct donations to the charities of their choice.[2] Their desire to encourage individual philanthropy led Congress to enact the charitable deduction with the Revenue Act of 1917.

[1] 55 Cong. Rec. 6728 (1917)
[2] Id.

A TIMELINE OF CONGRESSIONAL SUPPORT

Year	Legislation
1917	Tax increases to cover World War I military expenses are enacted. They are expected to cause a significant decline in charitable donations. To minimize this impact, Congress also enacts the charitable contribution deduction – limited to 15% of *taxable income*.
1924	Unlimited deduction amount is permitted for philanthropists who donate more than 90% of taxable income in the current and nine previous years.
1934	The unlimited deduction's 90% test is made more difficult to pass.
1944	The maximum charitable deduction that can be claimed is increased to 15% of *adjusted gross income*.
1951	Another increase is enacted – the percentage limitation is increased from 15% to 20%. This change is followed by a number of deduction limitations based on type of charitable entity
1969	Unlimited deduction is phased out over five years by tax reform, which enacts the percentage limitation system generally in place today.
1990	A limitation is imposed on certain itemized deductions – including charitable deductions. Otherwise allowable deductions are reduced by 3% of AGI in excess of a threshold ($166,800 for 2009) but may be reduced by no more than 80%.
2006	The 2001 repeal of the limitation on certain itemized deductions begins. The limitation is a 3% of AGI reduction of up to 80% of itemized deductions. The 3% reduction is lowered to 2% for 2006 and 2007, and to 1% for 2008 and 2009.
2010	No phase-out of itemized deductions – the limitation does not restrict charitable deductions.
2011	The ability to deduct a charitable contribution is again reduced – possibly twofold – (1) by the return of the limitation on itemized deductions, unless Congress acts, and (2) a pending 28% cap on the charitable donation tax savings.

Sources: Wilkenson, Susan, and Baxley, Jean. *Charitable Giving Answer Book*. 2009 ed. Chicago: CCH, 2008. Print. *Special Tax Briefing: FY 2011 Federal Budget – Tax Proposals.* CCH.

At its height, a charitable deduction of 20% of adjusted gross income was permitted. Over time, layers of limitations were imposed to reduce the ability to claim a charitable deduction. In general, there exists a limitation based on the type of receiving charity. Another limitation is based on the donated asset itself. There is also a maximum annual deduction limitation. And – in years other than 2010 – there is the limiting impact of the phase-out of itemized deductions.

In 2001, Congress enacted the Economic Growth and Tax Relief Reconciliation Act ("EGTRRA") at a time when economists were anticipating budget surpluses.

In addition to phasing in reductions to the income and capital gains taxes, EGTRRA phased out the limitation on certain itemized deductions – including charitable donations. This combination of changes made charitable donation more valuable. EGTRRA also included a sunset provision.

Under the sunset provision, the law returns to where it would have been had EGTRRA not been enacted. On January 1, 2011, the limitation on certain itemized deductions returns, the top marginal income tax rates increase from 33% and 35% to 36% and 39.6%, respectively, and the capital gains tax increases to 20%.

TAXATION COMPARISONS

	2010	Sunset 2011	Proposed 2011
Income Tax	35% top rate at $373,650 of taxable income	39.6% top rate at $373,650 of taxable income as adjusted for inflation	36% and 39.6% top rates apply to taxpayers with taxable income starting at $200,000/$250,000 (single/married filing jointly)
Capital Gains Tax	15% top rate on long-term capital gains (LTCG) in brackets over 15%	20% top rate on LTCG for taxpayers in the two top brackets	
Charitable Deduction Cap	50% of AGI, 30% for LTCG property		
Limitation of Certain Itemized Deductions	None	Certain itemized deductions reduced by a full 3% of AGI	
Limitation on Tax Benefit	None		Charitable deduction capped at 28% rate for taxpayers with taxable income over $200,000/$250,000 (single/married filing jointly), which includes taxpayers in the 36% and 39.6% brackets

Philanthropy

Philanthropists often do not recognize themselves as such. Philanthropy includes such simple acts tossing a $20 bill in a fireman's boot while stopped at a traffic light, as well as dedicating a portion of one's estate to a fondly remembered alma mater. Philanthropists include patrons of the arts and those who regularly support a specific cause, such as the Cystic Fibrosis Foundation.

A philanthropic contribution demonstrates a belief in a charity's mission and provides a feeling of personal satisfaction. It may also result in a more tangible return for the philanthropist – in the form of desirable income tax benefits. Depending on the philanthropist's income tax bracket and whether he or she itemizes deductions, the philanthropist may be able to lower his or her income tax bill – perhaps significantly – by making a charitable donation. This section reviews the basics of available income tax benefits.

Charitable Income Tax Deductions

Philanthropy has long been a high priority in many investors' comprehensive financial plans, as an important tool for which an income tax deduction is available. This deduction, however, is limited:

- Based on the type of asset donated
- Based on the type of receiving charitable organization
- Based on your adjusted gross income (AGI)
- Based on the phase-out of itemized deductions

Planning Tip

Although the maximum annual deduction is capped at 50% of AGI,* deductible donations in excess of this threshold may be carried forward an additional five years. This carry-forward period, however, is further limited to one year following the death of the donor.

*For limitation, AGI is calculated without regard to any net operating loss carryback into the year of the donation.

Charitable Income Tax Deduction Limitations

The chart below shows the deduction value of various types of donations stated as a percentage of AGI. FMV refers to fair market value at the time of donation. The assets are listed in order of maximum to minimum potential deductions.

CHARITABLE INCOME TAX DEDUCTION LIMITATIONS

Type of Asset Donated	Public Charity or Supporting Organization	Private Charity or Private Foundation
Cash	Up to 50% AGI	Up to 30% AGI
LTCG Property[1]	Up to 30% AGI using FMV	Up to 20% AGI using FMV[3]
	Up to 50% AGI using Basis[4]	N/A
STCG and Ordinary Income Property[2]	Up to 50% AGI using lesser of FMV and Basis	Up to 30% AGI using lesser of FMV and Basis
Inventory	Up to 50% AGI using Basis	Up to 30% AGI using Basis
Works of Art	Up to 50% AGI using Basis	N/A

[1] Assets owned more than one year.
[2] Includes property held less than one year, annuities and life insurance.
[3] Gifts other than publicly traded securities limited to basis.
[4] Includes tangible personal property not related to the charity's tax-exempt purpose.

Savvy philanthropists are aware of these limitations on charitable deductions and consult with advisors early in the planning process to arrange donations to maximize both their value and the income tax deduction.

AMT Impact

Like Alice's looking glass, the U.S. income tax has a parallel dimension. Those who reduce their tax liabilities too much with certain itemized deductions are possibly subject to an alternative minimum tax (AMT). The maximum AMT rate is 28%. Philanthropists subject to the AMT will receive a lower tax benefit than philanthropists subject to the regular tax system.

> **Example:** In 2011, Kelly is in the 39.6% tax bracket and will make a $100,000 charitable donation. Under the regular tax system, her donation would generate a $39,600 ($100,000 x .396) charitable tax savings. However, Kelly is – and will continue to be – subject to the 28% maximum AMT. Her donation will only generate a $28,000 ($100,000 x .28) charitable tax savings.

However, very few philanthropists are subject to the AMT and, of those who are, many tend to fall in and out of the AMT year-over-year. Why is this important? Those philanthropists can take steps to avoid the AMT and maximize the income tax benefits of their philanthropy.

> **Example:** In 2011, Kelly's friend Cristina is also in the 39.6% tax bracket and will make a $100,000 charitable donation this year. Unlike Kelly, Cristina can control the timing of her income. The more ordinary income she has, the less likely she is to be subject to the AMT. Accordingly, she works with her financial advisor and CPA to accelerate an appropriate amount of ordinary income.

> **Planning Tip**
>
> Accelerating the recognition of ordinary income into the current year is not the only way to plan for the AMT. Work with your financial advisor and tax professional to identify and implement this and other AMT planning strategies.

Fortunately, 2010 provides a rare opportunity to maximize philanthropic income tax benefits.

2010 Considerations

Timing is everything, and a number of circumstances make 2010 an unusually attractive time to give:

- Low income tax rates
- One-year absence of the limitation on certain itemized deductions
- One-year absence of personal exemption phase-out (PEP)
- Rising capital gains taxes
- Roth IRA conversion opportunities
- Historically low interest rates
- A recovering securities market

Low Income Tax Rates

Income tax rates are scheduled to rise on January 1, 2011. That is a given. Lowering the bottom threshold for the top two rates has also been proposed. These changes will subject more philanthropists to higher tax rates, which ordinarily would not concern them. Why? They reason that, when tax rates are high, they save more on their philanthropic donations. On the surface, they would be right.

> **Example:** Sandy intends to make a donation that will generate a $100,000 charitable deduction. She compares the 2010 tax savings to the 2011 tax

savings. At the 2010 top tax rate, she expects to realize $35,000 ($100,000 x .35) in tax deductions. At the 2011 scheduled top tax rate of 39.6%, Sandy expects to realize $39,600 ($100,000 x .396) in tax deductions. She decides to wait until January 2011 to make that donation. Sandy, however, has failed to account for the impact of certain limitations on 2011 charitable donations.

Itemized Deduction Limitation

The limitations based on the type of asset donated, the type of receiving charitable organization and the philanthropist's AGI impact 2010 and 2011 donations similarly. So, for the moment, we will ignore their impact on philanthropic decisions. Of more significance is the 2011 reinstatement of the limitation on itemized deductions and the proposed 28% cap on overall tax benefit for philanthropists.

First, the limitation on itemized deductions is applied. The limitation (sometimes called the 3% haircut) will be reinstated in 2011. Deductible donations will be reduced by 3% of AGI in excess of a threshold amount ($166,800 for 2009), but by no more than 80% of the affected deduction. Still, a philanthropic donation will generate less tax savings in the near future.

Example: In 2011, Sandy has income of $218,200 in excess of the threshold ($166,800 for 2009). Sandy will lose $6,546 ($218,200 x .03) of deductions. Her 2011 tax deductions fall to $33,054 ($39,600 – $6,546).

Then, if made law, the proposed 28% cap on philanthropic donations for 2011 and beyond is applied.

Example: The maximum income tax deductions of Sandy's donation fall further from $33,054 to $28,000 ($100,000 x .28). Sandy's 2011 tax deductions of $28,000 are dramatically less than her projected 2010 tax savings of $35,000.

Capital Gains Tax

Philanthropists often donate cash simply because of the ease in effecting the donation or because they may not have put much thought into doing otherwise. Typically, certain highly appreciated investments are sold, taxes paid and the net sale proceeds donated to a charitable organization. Why "certain" highly appreciated investments? Because the appreciation on investments held for more than a year – long-term capital gain investments – is taxed at a lower, more favorable rate than an asset held for a shorter period of time. The 2010 long-term capital gains tax rate is 15%, whereas short-term capital gains are taxed as ordinary income, which may be taxed as high as 35% in 2010.

Example: Reggie, a high-income earner subject to the 35% (2010) top tax rate, wants to make a donation to Horses for the Handicapped. Lacking sufficient cash on hand to make the donation, Reggie decides to sell an appreciated investment and donate the after-tax sale proceeds. Two investments are identified for sale: a short-term capital gain asset and a long-term capital gain asset. Assume each investment has a $30,000 basis and has appreciated by $70,000. Reggie compares the amount he would be able to donate if he sold the assets:

- $75,500 if subject to a short-term gains tax rate of 35% ($30,000 basis + an after-tax gain of $45,500 [$70,000 x (1 – .35)])
- $89,500 if subject to a long-term gains tax rate of 15% ($30,000 basis + an after-tax gain of $59,500 [$70,000 x (1 – .15)])

Reggie will pay less in taxes and benefit the charitable organization more if the long-term gain investment is sold. He also knows that under current law, the highest long-term capital gains tax rate is scheduled to increase to 20% in 2011. Reggie times the investment sale to take advantage of 2010's lower, more favorable 15% long-term capital gains tax rate.

Planning Tip

Of course, there is a way to generate an even better result: Donate the long-term capital gain investment itself. This way, the long-term capital gains tax may be delayed or possibly eliminated and the philanthropist may claim a deduction based on the full fair market value of the donated investment. Additionally, because charities are tax exempt, the charitable organization will not pay any capital gains tax when it eventually sells the investment. Both the philanthropist and the charitable organization receive a greater benefit.

Example: Virginia wants to provide a $10,000 benefit to a charitable organization. She compares the tax savings of three alternatives to determine her course of action.

	2010	
	Cash	Stock
Donation	$10,000	$10,000
Basis	10,000	1,000
Capital Gain	N/A	9,000
Capital Gains Tax Saved at 15% (2010) Rate	N/A	1,350
Income Tax Savings of Deduction at 35% (2010) Rate	3,500	3,500
Total Income Tax Saved	$3,500	**$4,850**

Roth IRA Conversion and Income Offset

Prior to 2010, many working and retired investors were not permitted to convert their traditional IRAs or other qualified retirement assets to a Roth IRA because they either exceeded the $100,000 modified adjusted gross income (MAGI) limitation (single or joint filers) or were married filing separately. Effective January 1, 2010, and going forward, all investors – regardless of income level and tax filing status – may convert tax-qualified assets into a Roth IRA. A 2010 conversion is even more attractive for those who would like the ability to spread the taxable conversion income equally over the 2011 and 2012 tax years. As investors young and old consider the Roth IRA conversion opportunity, the obvious income tax issue must be addressed.

Philanthropy is the most popular strategy used to make conversions more affordable, and it will work even better in 2010. The one-year absence of the limitation on itemized deductions – the phase-out of certain itemized deductions discussed earlier – maximizes the value of philanthropic donations. Make a sufficient philanthropic donation and it is as if the Roth IRA conversion never took place from a current income tax perspective.

Example: Steven is a philanthropist who regularly donates $10,000 to his favorite charity. His high income has previously prevented him from converting his $100,000 traditional IRA to a Roth IRA. When this restriction is eliminated in 2010, Steven converts and creates a $35,000 income tax liability ($100,000 x .35).

He simultaneously accelerates his charitable giving by contributing 10 years' worth of donations, or $100,000, to his favorite charity in 2010. This philanthropic donation is sufficient to generate a $35,000 income tax benefit to offset the income tax due on his Roth IRA conversion.

Interest Rates

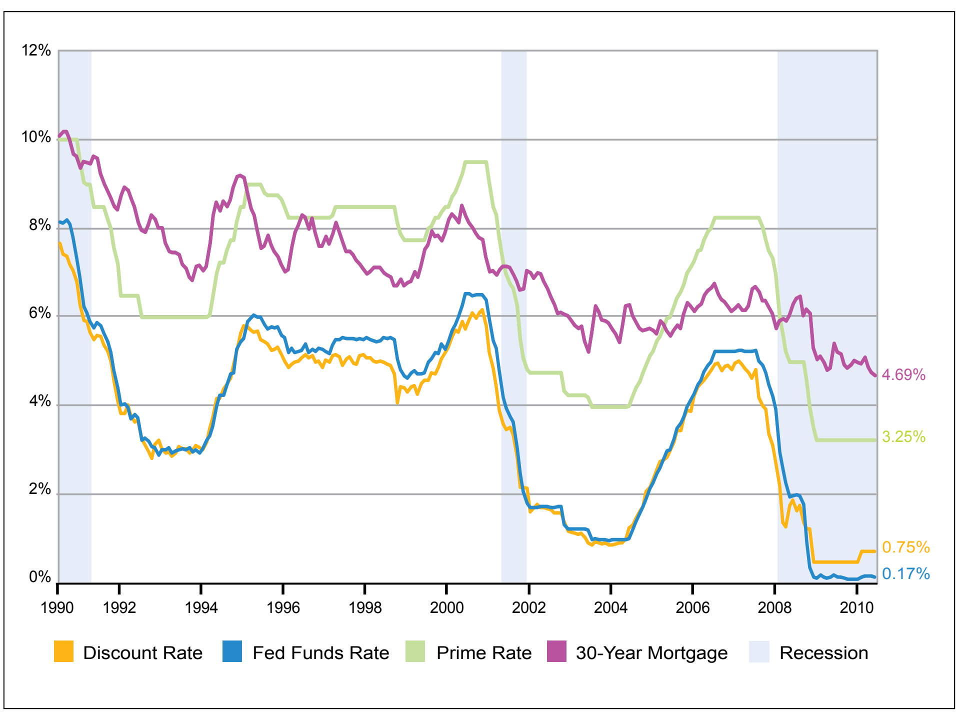
Donating appreciated investments owned for more than a year and using philanthropy to offset a 2010 Roth IRA conversion are only two philanthropic strategies. There are many more. Some strategies work well in a high-interest-rate environment. Others work well in a low-interest-rate environment. Philanthropists avoid an unpleasant income tax result when they recognize that certain strategies work well in current interest-rate environments, plan and implement accordingly. What is the current interest-rate environment? How do current interest rates impact philanthropic planning? And, which philanthropic strategies work well in the current environment?

Current interest rates are historically and unprecedentedly low. A look back at key interest rates over the last 20 years shows just how low.

Lower interest rates increase the value of certain philanthropic donations, which in turn maximizes the value of the tax benefit some strategies provide.

Example: Tripp (age 65) and Teresa (64) are philanthropists who regularly donate the income generated by their investment portfolio to their local museum of art. They use $1,000,000 to implement a trust strategy that will donate an income stream to the art museum for 20 years. Then, whatever remains in the trust passes to Tripp and Teresa's children. The strategy allows them to benefit the charity now and still retain the investment assets for their heirs' future benefit. Implementing this particular trust strategy when interest rates are low provides greater income tax savings.

Implemented in July 2006 when the applicable interest rate was 6.08%, the strategy would have generated an income tax benefit of approximately $597,460. Implemented in July 2010, with an applicable interest rate of 2.8%, this same strategy generates an income tax benefit of approximately $813,075.



Source: FactSet and Federal Reserve, as of 6/30/10.

Popular Charitable Giving Strategies

There are many philanthropic strategies that provide the philanthropist with a current income tax benefit. Many work well in today's income tax and economic environment. Over the years we have identified several strategies that optimize the benefit to a charitable organization and provide an exceptional income tax benefit to the philanthropist in view of:

- The scheduled and anticipated increases in income tax rates
- The impending limitations on charitable deductions
- The current historically low-interest-rate environment

These strategies fall into two categories: outright donations to a charitable organization or implementation of a philanthropic strategy such as donation of a remainder interest in an investment account. How do you know which strategy works best in a particular philanthropist's financial plan? Skim the remainder of this white paper for a general understanding of popular strategies. Then, identify the overriding philanthropic goal, the charitable organization to benefit and the type of property to be donated. The answers help identify a clear winner for more in-depth consideration.

Popular strategies include:

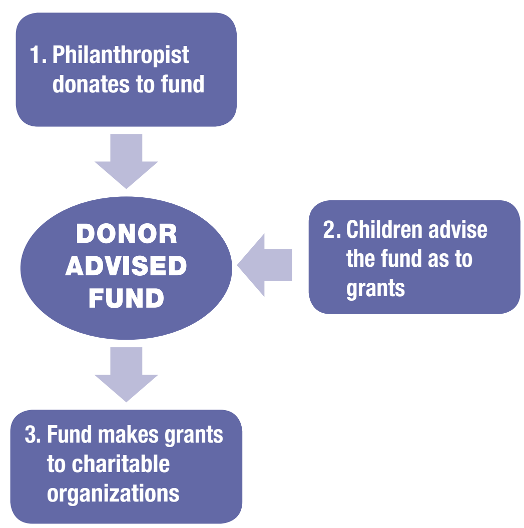
- Donor-Advised Funds (DAF)
- IRA Charitable Donations
- Charitable Lead Trusts (CLT)

Donor-Advised Fund

A Donor-Advised Fund (DAF) is one of the least expensive and, at the same time, most flexible strategies. It provides many of the custom benefits of a family foundation without the legal setup fees and with significantly lower administrative expenses. It can be established with as little as $10,000. The philanthropist is allowed to donate now, claim a current income tax deduction and choose which charitable organizations to benefit later. The fund's most attractive advantage is the ability to engage family members and other loved ones in the philanthropic endeavor, passing on family values and strengthening family bonds.

The philanthropist may appoint children, for example, as advisors to the DAF. The children then counsel the DAF trustee in four areas: (1) how donations are to be invested within the fund, (2) which charities will ultimately receive grants from the fund, (3) how much will be given, and (4) who will make these decisions instead of, or as successor to, themselves.

Example: Matt makes a $100,000 irrevocable donation to a DAF. He then designates his children as the advisors to the fund. The DAF handles all of the continuing administrative details for Matt. The children advise the DAF of their grant recommendations. The DAF distributes grants to the qualified charitable organizations.



IRA Charitable Donation

The easiest and most direct way to benefit a charity using IRA assets is to simply name the charitable organization as beneficiary. The donation is deductible for estate tax purposes. The charity does not mind receiving IRA assets because it is tax-exempt and will not have to pay income tax when it withdraws the funds in the IRA. What if the charitable organization needs money now? What if the philanthropist wants to provide a current benefit?

Ordinarily, a distribution from an IRA is subject to ordinary income tax. If the amount distributed is then donated to a charitable organization, a charitable deduction may be available. However, the tax benefits of a charitable deduction rarely fully offset the income tax due on the IRA distribution.

IRA Distribution Direct to Charitable Organization

Prior to 2010, seniors enjoyed a very popular philanthropic strategy. Philanthropic seniors aged 70 ½ and older could donate up to $100,000 from their IRAs directly to charitable organizations. This donation would count toward meeting a philanthropist's required minimum distribution, or RMD, for the year. The distribution does not count as taxable income – read "it is tax-free" – and the donation may not be claimed as a charitable deduction. It essentially washes itself right off the philanthropist's income tax return as if nothing happened and yet it generates additional income tax benefits.

Planning Tip

An IRA distribution paid directly to a charitable organization avoids (1) the percentage limitations on donation deductibility and (2) the phase-out of itemized deductions. Although the phase-out of itemized deductions is irrelevant for 2010, avoiding the percentage limitation on the deductibility of donations is still an attractive benefit.

While this law expired at the end of 2009, there is a possibility that Congress will act to extend it into 2010. It is hard to predict Congressional behavior. It is also hard to optimize philanthropic plans without knowing if this law will be extended. What if Congress never extends this charitable provision into 2010? Should charitable IRA planning be postponed until the end of the year?

Planning Tip

Up to 85% of Social Security (SS) benefits are exposed to income tax. This tax is based solely on income. Because the IRA distribution direct to a charitable organization is not included in income, it also avoids increasing the income tax burden on SS benefits.

Charitable Lead Trust

High-net-worth philanthropists often favor dual-purposes trusts in their philanthropic planning. These trusts are designed to benefit both (1) the charitable organization and (2) the philanthropist or his or her loved one(s). The idea is that one party receives the benefit of the trust first for a stated period of time – be it a term of years or a life expectancy. Then it is the other party's turn to enjoy the remaining trust benefits. The name of the trust indicates the type of benefit the charity will receive.

A charitable remainder annuity trust (CRAT) benefits the charitable organization last with a remainder interest in the trust assets. Conversely, a charitable lead annuity trust (CLAT) benefits the charitable organization first with a leading interest. Which one works well in a low-interest-rate environment? The CLAT. For income tax purposes, the actuarial value of the charity's lead interest will be worth more when interest rates are low. The result is a larger tax benefit for the philanthropist.

How a CLAT Works

The philanthropist works with his or her financial advisor to coordinate this strategy with the philanthropist's existing financial plan and with his or her estate planning attorney to establish the new CLAT. The CLAT is then funded by re-titling assets into the name of the trust. Cash, investment portfolios and life insurance are commonly used to then fund the trust. At least annually, the CLAT makes an annuity payment to the charitable organization. Although payments must continue for a set number of years, there is no upper limit on the amount of the annuity payment.

At the expiration of the term, the remaining trust assets are distributed to the non-charitable beneficiary(ies). While there may be limits on the charitable deduction, there is no limit on the amount that can go to the charitable organization. And, a CLAT may be funded with life insurance and qualified retirement plan assets – think large RMDs forced out of pensions and 401(k)s that are neither wanted nor needed to meet living expenses. The trust can be designed to provide the philanthropist with a one-time income tax deduction in the year the trust is created. Establish and fund a grantor-type CLAT in 2010 to optimize the CLAT's current income tax benefit.

Example: Brian regularly donates $50,000 to his alma mater. He just as regularly forgets to mail the annual check. To automate his philanthropic plan, Brian establishes a 2010 grantor type CLAT, funds it with $1,000,000 in securities and may claim a $594,545 charitable deduction.

Each year, for 20 years, the trust assets experience a 6% rate of return and the CLAT trustee distributes $50,000 to Brain's alma mater. At the end of the term, the trust distributes the remaining $1,367,855 to Brian's children and grandchildren.

1
- Trust established with attorney's help.
- Trust is then funded.

2
- Charity receives annuity payments.
- Payments continue for a set term of years.

3
- Assets remaining in CLAT at expiration of annuity's term pass to philanthropist or his or her loved ones.

Year-End Contribution Deadlines

A philanthropic donation can significantly lighten the income tax burden in years a philanthropist itemizes his or her income taxes. To claim the deduction, there are some important tax and timing rules to follow. A donation of securities may take up to a month to process, for example. While you don't need to plan so far in advance when simply contributing cash, there is a postmark rule that must be observed or the charitable deduction will not be allowed:

- Checks must be mailed with a postmark on or before Friday, December 31, 2010.
- Wire transfers should be completed on or before Thursday, December 30, 2010.

Philanthropists should consult their financial advisors early to coordinate the timing of their donations.

Planning Tip

The processing time for securities transfers can be much slower than you may realize.

Use the chart below as a guideline for timing your charitable donation.

Type of Contribution	Requirements	Deadline
Check	Mail with a postmark on or before Friday, December 31, 2010. Certified mail is recommended.	Friday, December 31, 2010
Money Wire Transfer	Instruct your financial institution to wire the funds to the charity on or before Thursday, December 30, 2010.	Thursday, December 30, 2010
Stock or Bond Certificate	Complete the *Gift of Stock or Bond Certificate* form* and mail it with a postmark on or before Tuesday, November 30, 2010. The *Stock/Bond Power* form* is also required and should be sent in a separate envelope.	Tuesday, November 30, 2010**
Securities Held at Raymond James and Networked Mutual Funds	A completed *Authority to Transfer Funds/Securities* form* should be delivered to Raymond James by Friday, December 17, 2010, for securities and by Wednesday, December 8, 2010, for networked mutual funds.	Friday, December 17, 2010 (securities) and Wednesday, December 8, 2010 (networked mutual funds)
Securities Not Held at Raymond James and Non-Networked Mutual Funds	Complete the *Gift of Brokerage Assets* form* and mail with a postmark on or before Tuesday, November 30, 2010.	Tuesday, November 30, 2010**
Mutual Funds Held Directly at the Mutual Fund Company	Mail a completed *Gift of Mutual Funds* form* with a postmark on or before Tuesday, November 30, 2010.	Tuesday, November 30, 2010**

* To obtain the required forms, contact your financial advisor, call 866-OUR-FRIEND (687-3836) or, for a Raymond James Endowment Fund, visit **MyFamilyFoundation.org**.

** Deadlines are our recommendation only. For physical certificates and assets held away from Raymond James, the transfer process is beyond our control. While every effort will be made to effect a timely transfer of these assets, since other institutions control the actual process, no assurance can be offered that the gift will be completed by December 31, 2010, even if the appropriate gift documentation is received prior to the recommended deadline.

Concluding Comments

Properly structured philanthropy has the ability to maximize the benefit to the charitable organization and benefit the philanthropist with tax savings. Philanthropists who make regular or recurring annual donations should give serious consideration to accelerating 2011 and future years' donations into 2010 for two important reasons:

- Charities are in dire need of funds today. Charitable organizations are experiencing unprecedented levels of demand for their assistance due to the current economic condition. At the same time, they are having difficulty setting aside enough resources to pay their own employees – employees who are critical to the execution of charitable organizations' missions. Philanthropy is needed more than ever in 2010.
- A rare convergence of factors makes 2010 philanthropic actions much more beneficial today than they will be in 2011 and for many years thereafter – the current combination of low interest rates, no phase-out of itemized deductions and lower income tax rates than can be expected for years to come.

Action Items

1. **Plan early.** Giving takes time whether mailing a check, donating assets, optimizing an existing plan, or implementing a new Donor-Advisor Fund, Charitable Remainder Trust or Family Foundation. Talk to your financial advisor early to allow sufficient time.
2. **Calculate your income.** Estimate your 2010 income and baseline income tax obligation. Or, have your CPA or tax advisor prepare a pro-forma 2010 return.
3. **Review your investment assets.** Identify the most beneficial assets to donate.
4. **Relax.** And enjoy the benefits of your more powerful philanthropy.

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