



Charitable Giving Strategies

“His master replied, ‘Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Enter into the joy of your master.’” [Matthew 25:20](#)

There are a number of giving strategies which cannot only benefit the church, but the giver. Some have a passion for generosity and position in life who can benefit from ‘smart’ approaches to giving.

1. **Gift of appreciated publicly traded stock or securities.** The benefits of giving appreciated stock or securities to the church can be explained this way: Let’s assume that someone acquires stock in ABC Corporation for \$10,000 and has held that stock for a number of years. The stock has appreciated in value and is now worth \$50,000. One could sell the ABC stock for \$50,000.00 and would have a taxable capital gain of \$40,000 (\$50,000 - \$10,000). Applying the applicable federal and state capital gains tax, the shareholder would pay approximately \$10,000 in federal and state capital gains tax. This leaves a net amount of \$40,000 which could be given to the church.

The result is that the church receives \$40,000, the donor receives a \$40,000 charitable deduction, and the federal and state governments receive 10,000. Conversely, if the donor gave the ABC stock directly to the church and the church sold the stock, the church would not be taxed on the sale of the stock. The result is the church will receive \$50,000, and the donor would receive a \$50,000 charitable deduction and no taxes would be owed.

Those with Required Minimum Distributions should know that **RMD** requirements can be met with **Qualified Charitable Distributions (QCDs)** to the church and receive the same beneficial tax treatment (and possible more).

2. **Gift of appreciated real estate.** The above-described scenario dealing with publicly traded stock also applies to a gift of appreciated real estate. If the real estate is given to the church and the church sells the real estate, then the church pays no taxes, and the donor receives a charitable deduction for the fair market value of the real estate given to the church. The fair market value of such real estate will be deemed to be the price at which the real estate was sold by the church.

When considering a gift of real estate to the church, it may be helpful to ask the following questions:

1. Do you have any current use for this property?
2. Do you have a financial need to retain this property?
3. Would a large capital gains tax be due if you sold this property? If you answered “yes” to any of these questions, you may want to consider making a gift of the property to the church.

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3. **Life insurance.** If someone wants to make a deferred gift to the church, they could purchase a policy of life insurance naming the church as the beneficiary, or the church could be named as a partial beneficiary. For example, someone has a \$100,000 life insurance policy and they designate their beneficiary as follows: Beech Haven Baptist Church (20%) Children (80%). Furthermore, one may have a life insurance policy which they obtained when their children were young. Now the children are grown and self-sufficient and the life insurance policy is no longer essential for family purposes. The church could be named as the beneficiary or partial beneficiary of such a policy. Yet another alternative is for the policy owner to give an insurance policy to the church. This would result in a charitable deduction equal to the cash value of the policy at the time of the gift. The church could then maintain the policy and pay future premiums, or alternatively, the church could cash in the policy and take payment of the cash value.
4. **Gift of remainder interest in residence.** You can convey a remainder interest in your home to the church but continue to utilize your home for the remainder of your lifetime. This could be done by executing a current deed that transfers ownership of your home to the church upon your death. When the deed is recorded you may be entitled to a charitable income tax deduction for the fair market value of the remainder interest. In other words, you would take the fair market value of the home and subtract from that fair market value, the value of your right to utilize the property for the rest of your life based upon actuarial tables.
5. **Trusts.** A trust can be utilized to give a partial interest in an income-earning asset to the church. The primary way that a trust can be utilized is through a charitable lead trust or a charitable remainder trust.

With a *Charitable Lead Trust*, a church member who does not need current income from an income producing asset could contribute that asset to a trust and the trust will pay the income, or a certain percentage of the value of the trust, to the church each year, either for a fixed period of years, or for the lifetime of the donor, depending on what the donor wishes to do. This way, the church received current income and the donor receives a partial tax deduction for a charitable contribution based upon the amount of income going to the church. At the end of a specified number of years, or upon the death of the donor, the remaining principal amount of the trust may be distributed back to the donor, or, at the donor's death, to the donor's heirs.

A *Charitable Remainder Trust* is the reverse of a charitable lead trust. With a charitable remainder trust, the donor places a specified amount in the trust, and the donor typically receives the income from the trust, or a percentage of the value of the trust, for a specified number of years, or for the life of the donor, or for the combined life of the donor and donor's spouse. Upon the expiration of the specified term, or upon the death of the donor and donor's spouse, the amount of assets remaining in the trust would be distributed to the church. The donor will receive an immediate charitable deduction for an actuarial value of the gift to the charitable remainder trust, in the year that the trust is created.

6. **Gift to endowment fund.** Beech Haven Baptist Church has established an endowment fund which is administered through the Georgia Baptist Foundation. All funds donated to the endowment fund, together with any and all income utilized thereon will benefit Beech Haven Baptist Church. The purpose of the endowment fund is, like other endowment funds, to create a fund which will generate income which may be utilized by the church. The intent of the endowment is that the principal not be utilized.

Please consult with your financial planner, estate attorney or banking institution. Need a recommendation for a financial planner, estate attorney, or giving strategist? Contact John Walker at jw@beechhaven.net or 706.201.5414. Find this information and more at the bottom of our [giving page](#).