Giving to a charitable organization is a way to leave a lasting legacy for the future. Whether you want to designate a gift to honor a loved one or further a specific cause or you simply want to help leave the world a better place, planning for charitable gifts as part of your estate plan can provide some tax savings as well as the satisfaction of serving a noble purpose. Here are some options to discuss with your estate planning attorney.

Bequests in Your Will or Trust

One of the easiest ways to incorporate giving in your estate plan is to build a request into your will or trust document. You can identify the charity, the amount you want to give, and the purpose for which you would like the funds to be used. You might also designate your gift as a percentage of certain funds rather than a specific amount. While you don't need to describe how you want the funds to be used, if you do want to place restrictions on your gift, it is important to use the right language and to be certain that the restriction fits the organization's guidelines and appropriate legal parameters.

Charitable bequests reduce the amount of your estate for purposes of estate tax liability. While Texas does not have an estate tax and right now most estates are exempt from federal estate tax, that could change in the near future because the current exemption threshold is set to expire at the end of 2025. If Congress decides to bring in more revenue by lowering the threshold, many more estates could be subject to this substantial tax burden.

Name a Charity as a Beneficiary

If you have a retirement account or other account with a beneficiary clause, you can name a charitable organization as one of your beneficiaries. The charity will not need to pay income tax on withdrawals from a tax-deferred account. If instead you leave funds to loved ones with instructions for them to make a donation on your behalf, they will first have to pay income tax on the distribution.

Create a Charitable Trust

A charitable lead trust or charitable remainder trust can provide tax benefits while supporting both a charitable cause and your loved ones. Both types of trusts are irrevocable, so they require careful consideration, but because of their irrevocable nature, they can offer benefits such as tax deductions and asset protection.

With a charitable remainder trust, beneficiaries receive income from the trust property for a specified time before the remainder passes to your chosen charity. By contrast, a charitable lead trust distributes income to the charity for a time and then disburses the remainder to your other beneficiaries.

The Nordhaus Firm Can Help You Find the Right Plan for Charitable Giving

When you can help your loved ones while helping your favorite cause, you’ve doubled in the impact of your legacy. At The Nordhaus Firm, we can review charitable giving options that reduce your tax liability or provide other benefits. Schedule a consultation now to get started.