

For individuals seeking to incorporate charitable giving into their estate plans, there are a variety of options available. Charitable trusts provide opportunities to make a difference while also preserving wealth for your family, while a private foundation can help you establish a legacy that will last for generations.

Like all other aspects of estate planning, planning substantial charitable donations requires careful forethought with due consideration for the various competing interests involved. Here is a brief introduction to some of the key issues you will want to consider:

# Key Issues: Charitable Giving and the Estate Planning Process

## 1. Choosing the Structure for Your Charitable Gifts

As we referenced above, two of the most common ways to incorporate charitable giving into an estate plan are through the establishment of charitable trusts and private foundations. There are three primary types of charitable trusts:

**Charitable Lead Trust** – With this type of trust the charitable beneficiary receives income from the trust for a specified period of time, after which the remaining trust income and principle will be distributed to your chosen family members (or other designated beneficiaries).

**Charitable Remainder Trust** – A charitable remainder trust operates in the reverse of a charitable lead trust. Your family beneficiaries receive trust income for a period of years,

after which the remainder of the trust's assets are distributed to the charitable beneficiary.

**Trust with a Charitable Beneficiary** – The third option is a trust with one or more charitable organizations designated as the sole beneficiary or beneficiaries. With this option, all trust income and principle become charitable donations.

Private foundations can exist as either operating or non-operating entities. An operating foundation acts as its own tax-exempt organization with its own philanthropic mission, while a non-operating foundation serves as an endowment for existing charities.

## 2. Considering the Consequences for the Rest of Your Estate Plan

When structuring the charitable aspects of your estate plan, it is important not to overlook the impact of your charitable giving on your family beneficiaries. A comprehensive estate plan will include clear provisions for charitable giving as well as adequate wealth preservation for family members.

## 3. Researching Your Chosen Charity (or Charities)

In order to receive the tax benefits of giving money to charity, you need to make sure that your chosen charitable beneficiaries have received IRS approval. While this commonly means securing a 501(c)(3) exemption, exempt status is not *necessarily* a requirement. Beyond tax considerations, you will also likely want to make sure you are confident in your charitable beneficiaries' missions and use of donated funds. Charity

ratings and scorecards can be good places to start, but you will likely want to conduct your own independent research as well.

## Learn More about Incorporating Charitable Giving into Your Estate Plan

For more information about incorporating charitable giving into your estate plan, please schedule an initial consultation with an estate planning lawyer today.