



BARBERSHOP HARMONY SOCIETY PLANNED GIFTS INFORMATION

“Planned Giving” means finding smart ways for you to be able to make bigger gifts than you imagined possible, and to do it in ways that best fit your needs and works well both for you and for Barbershop Harmony Society (BHS). Have you ever wanted to give more to support the mission of BHS but didn’t think you could afford to do it? What if we could find a way to help you realize your philanthropic wishes without affecting your quality of life or limiting your ability to provide for your family the way you’d like? How about a gift that provides you with increased income? Would you be interested? That’s what planned giving does.

What is a planned gift? When most people think about charitable giving, they think about how much money they have available in their checking accounts and how much they can give without limiting their ability to pay bills and spend money on other things they need or enjoy. Some donors may even think about using appreciated stock to make gifts (a very smart idea—see our [Ways to Give Non-Cash Gift Assets publication](#) if you’re interested). However, that’s as far as many go in their thinking on the subject. Planned giving is a way to expand your options and philanthropic capacity. A planned gift is one that typically requires the help of someone other than the donor to complete—a professional advisor or a gift officer, for example. One way to think of a planned gift is as a gift that involves anything more than writing a check for cash, making a credit card donation, or transferring marketable securities. Great things can come from looking beyond those options, and you may be surprised to learn how easy it can be to make a planned gift to BHS.

Planned giving consists of a variety of giving techniques, vehicles, and types of property gifts:

Will (and Revocable Trust Agreement) Provisions

Gifts through Wills (or through Revocable Trusts), sometimes called “bequests” perhaps are the best-known way to make a planned gift to charity. See our [Sample Bequest Language And Beneficiary Designation](#) publication for your attorney to include in your Will or Revocable Trust Agreement to leave a legacy to BHS in your estate plan.

Estate gifts for unrestricted general use always are welcome and most helpful, but gifts designated to the parts of our mission most important to you are appreciated too. If you wish to make a gift for a restricted purpose, please contact us in advance so we can make sure the gift can be accepted and your intent can be honored.

Beneficiary Designations for Retirement Accounts and Life Insurance Policies

A beneficiary designation in a retirement account (IRA, 401(k), 403(b), 401(a), etc.) or life insurance policy usually is the easiest, most cost-effective way to make a planned gift to BHS. For many people, retirement accounts and life insurance policies represent a large part of their overall wealth, and BHS can be named a beneficiary of a percentage or all of an account or policy simply by filling

out a new beneficiary designation form and submitting it to the plan administrator or financial firm. Many beneficiary designations can be completed online in a matter of minutes. Moreover, when there is a choice to be made about what property to leave to family and what to leave to charity at death, retirement accounts almost always are the best asset to leave to charity, leaving other assets for family, primarily for income tax reasons. For more information about how to leave a legacy to BHS through a beneficiary designation, see our [Sample Bequest Language And Beneficiary Designation publication](#).

Donor Advised Funds

A Donor Advised Fund (DAF) is a fund or account maintained and operated by a public charity—a 501(c)(3) organization—known as a “sponsoring organization.” The sponsoring organization receives contributions from an individual donor or donors, for which the donor receives a charitable income tax deduction at the time of the initial contribution. The contributed property is then legally the property of the sponsoring organization, but the donor retains advisory privileges to make recommendations to the DAF sponsor about where he or she would like grants made by the DAF.

Grants from DAFs technically are gifts from the sponsoring organization and not the individual who established the fund and recommended the grant. For that reason (and because the individual was eligible for a charitable income tax deduction for the initial contribution to the DAF), DAF advisors cannot receive a charitable deduction for grants from DAFs to other charities. Additionally, individuals should not receive any *quid pro quo*, or anything of value (more than incidental benefit). For example, a DAF grant cannot be made in exchange for meals, event tickets, or seating privileges at events, or it will run afoul of IRS rules, resulting in significant excise taxes.

Even so, Donor Advised Funds can be quite useful and have become very popular in recent years. If you have a DAF, please recommend Barbershop Harmony Society as a grantee. (DAF sponsors do not always identify the advisor, so please ask them to include your name and contact information along with the grant to BHS.)

Finally, many DAF sponsors (particularly community foundations) will allow you to designate charitable beneficiaries to receive gifts after your lifetime, either in a single distribution or in perpetuity. Please also consider adding Barbershop Harmony Society as a testamentary beneficiary of your Donor Advised Fund. Ask your DAF provider how to do it. You can make a big difference for BHS that way.

Payable on Death (POD) and Transfer on Death (TOD) Designations

You can make a POD designation for BHS on a bank account or a TOD designation for BHS on a brokerage account or stock portfolio. Contact your bank or brokerage for more information.

Life income gifts: Charitable Gift Annuities and Charitable Remainder Trusts

Did you know you can receive income for life AND a current income tax deduction in exchange for a contribution to benefit BHS? You can do that with a charitable gift annuity (CGA) or a charitable remainder trust (CRT).

Charitable Gift Annuities

Charitable gift annuities are one of the most popular planned gift options. Gift annuities provide donors with a safe fixed income for their lifetimes, as well as significant tax benefits. In an uncertain economy, the stability of a charitable gift annuity is very attractive.

- Annuitant or annuitants receive a fixed income for life (one or two lives), paid in monthly, quarterly, or annual installments, backed by all of the assets of the charity.
- Donors receive an immediate charitable income tax deduction for a portion of the contributed amount based on an IRS formula, taking into account the age(s) of the annuitant(s) and the applicable federal interest rate in effect for the month of the gift (or one of the two previous months).
- The payout rate is determined by the age(s) of the annuitant(s), based on a schedule established by the American Council on Gift Annuities. The higher the annuitant's age, the higher the payout. For example:
 - 4.7% for an individual, age 70, or 4.2% for a couple, both age 70
 - 6.5% for an individual, age 80, or 5.4% for a couple, both age 80
- If income is not needed now, a donor can obtain both a higher payout rate and a larger current income tax deduction by choosing to begin income payments at a later date.
- Assets commonly used to fund gift annuities include cash, publicly traded stock, and mutual fund shares. Capital gains can be partially bypassed with gifts of appreciated property.
- The minimum age for a BHS gift annuitant is age 60. The minimum amounts for establishing a gift annuity with BHS are \$10,000 for an immediate gift annuity or \$20,000 for a deferred gift annuity. Large gift annuities above a certain dollar amount may require special approval.
- After the annuitant(s) lifetime, whatever assets remain go to support BHS, either for general use or your designated purpose.

Some of the reasons CGAs are popular include:

- Safe, stable income for life
- Excellent way to increase income from appreciated assets or cash
- Easy to set up and manage
- Reduces income tax and capital gains tax

Charitable Remainder Trusts

Similar to a charitable gift annuity in operation although different in form, a charitable remainder trust provides income for a life or lives (or a term of years), a partial income tax deduction, and potential bypass of capital gains, but offers greater flexibility than a gift annuity. With a charitable remainder trust, the donor contributes property to a trustee to administer a trust to provide income to the donor or other loved one(s) designated by the donor. At the end of the trust term, the remainder is distributed to BHS. The donor chooses the payout, preferably 5% to 6%. Charitable remainder trusts come in two main types: charitable remainder annuity trusts (CRATs) and charitable remainder unitrusts (CRUTs).

CRUTs are workhorse planned giving vehicles that can be used to accomplish multiple goals. Rather than a fixed dollar amount, the distribution from a CRUT is a fixed percentage—the unitrust amount—of the trust assets, revalued each year. Thus, donors or other income beneficiaries can

enjoy increased payments as trust assets grow (but also have some downside risk if investments perform poorly). CRUTs can be funded with marketable securities or cash, but they also are the vehicle of choice for turning nonmarketable assets (e.g., appreciated real estate, closely-held business interests, fine art, high-value musical instruments, etc.) into income streams, with a charitable beneficiary at the end of the term or lives of the income beneficiaries.

Comparing CGAs and CRTs

CRTs come with more expense (hiring an attorney to draft the trust agreement and ongoing trustee fees and administration costs) but also a little more flexibility compared to CGAs. Everyone's situation is different, and CGAs work better for some while CRTs work better for others.

If you have any questions or would like a detailed personalized illustration or more information about establishing a charitable gift annuity or charitable remainder trust to benefit both you and BHS, please contact Erik Dove, CFO/COO at edove@barbershop.org or 615-673-4133.

Charitable Lead Trusts

Charitable lead trusts (CLTs) are like the inverse of charitable remainder trusts. After a CLT is established, income is paid to charity for a term of years, and then the remainder is distributed to individual beneficiaries at the end of the term. Most often this vehicle is used to reduce estate taxes for people having taxable estates, and the remainder beneficiaries typically are the donor's children or trusts for their benefit.

Another use of CLTs, though, can be to make large payments to charity for a period of years—such as during a campaign—with the donor receiving an income tax deduction in the first year and receiving back whatever remains in the trust at the end of the charitable term. CLTs are most attractive in a low-interest rate environment. As with any other type of gift, you should consult with your professional advisors about whether this type of gift may be appropriate for your situation and, if so, how to structure it.

Gifts with Retained Life Estates

Donors may make charitable gifts of certain types of property—most commonly real estate—and retain the right to use the property for life, and at the same time receive a partial income tax deduction. For example, if you own a home, lot, or vacation property free and clear (not subject to any mortgages, liens, or other encumbrances) and BHS agrees to accept it subject to a life estate, you could deed the property to BHS reserving a life estate and continue to live on and use the property for the rest of your life or as long as you wish. (While living on or using the property, the donor is responsible for insuring, maintaining, and paying taxes on the property.) At the end of your life—or earlier, if you decide you no longer wish to live there—the property is then owned fully by BHS and can be sold or otherwise used for BHS's benefit. These types of gifts also are very attractive in a low-interest rate environment because they can generate very large current income tax deductions.

Outright or deferred gifts of:

- Real estate
- Closely-held business interests

- Tangible personal property
- Crops or livestock
- Life insurance
- Oil and mineral rights
- Intellectual property gifts: Copyrights, Trademarks, Patents, or Royalties

See our [Non-Cash Assets document](#) for more information about gifts using these types of property.

Some gift types can be combined—for example, a gift of real estate or crops used to fund a charitable remainder trust.

Contact Us

While it may take special expertise to understand some aspects of these gifts, the basic ideas behind them are simple. We can't give you legal, tax, or financial advice, but we are happy to provide you with illustrations for use in discussions with your personal professional legal, tax, or financial advisors, and are happy as well to work with them directly and with you to whatever extent you wish in the gift planning process. We also can assist you to document your planned gift in a way that ensures it will be used to support the BHS programs and areas of impact most important to you, or general support.

Please contact Erik Dove, CFO/COO at edove@barbershop.org or 615-673-4133 for more information. We'd love to talk with you!

Disclaimer

Barbershop Harmony Society provides this information as an educational service to our donors, and it is not legal, tax, or financial advice. Please consult with your own independent professional legal, tax, or financial advisors regarding your specific circumstances and how any charitable gift may affect your situation.