

# Charitable Gift Planning

## What are charitable gifts?

Charitable gifts are donations to charitable, religious, educational, cultural, service, and healthcare-related organizations. Our tax laws recognize the role of charitable organizations in meeting public needs that are a benefit to society, and as a result, these laws provide incentives to encourage charitable gifts. When planning your estate, you should talk to an attorney about whether charitable giving is an option for you to consider.

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## What types of charitable gifts are available when planning my estate?

There are many ways to make charitable gifts, and the following are a few options that are available:

- *Cash gifts* – These are usually made by check and are the most popular form of charitable giving
- *Gifts of appreciated assets* – These are gifts of assets that have increased in value since their purchase. If you sell stocks, bonds, mutual funds, or real property that have appreciated in value, then you will have a taxable capital gain. If those same assets are gifted to a charitable organization, then the gifted assets are deductible at their full fair market value if they have been held for longer than 12 months, as long as the fair market value of the gifted asset does not exceed 30% of your adjusted gross income.
- *Gifts of retirement assets* – When an individual dies with large retirement savings in their retirement plan, a beneficiary can be left with a large tax burden that consumes most of the gift. When the retirement assets are given to a tax-exempt organization, the tax-exempt organization does not have to pay income tax on the assets.

- *Charitable remainder trust* - This is an irrevocable trust that holds and invests assets for the benefit of one or more individual income beneficiaries with the remainder to one or more charities. It allows you and a charity to share income and remainder interest. These trusts are usually set up so you can contribute assets to provide income during a specific period of time (like your lifetime), and after the end of the term, the remaining assets go to a charity of your choice.
- *Charitable lead trust* - This is an irrevocable trust that allows you to place assets in a trust that will benefit a charitable organization for a set period of time and they ultimately pass to your heirs.
- *Charitable gift annuity* - This allows you to donate assets to a charitable organization in exchange for an annuity contract while also providing a charitable deduction at the time of the gift. The total expected income determines what portion of the initial gift is tax-deductible. Then, the charity receives the remainder of the donated assets after your death. This option is beneficial if you need income, want an immediate tax deduction, and want to support a single charity.
- *Bequest under a will or revocable trust* - A charitable gift can be made in a will or a revocable trust. It can be a specific dollar amount, a specific asset, or a percentage of your estate. This can be changed or canceled during your life if your circumstances or family needs change.

If you are considering one of these charitable giving options, you should talk to your estate planning team to decide which option best fits your situation.

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Table of Contents

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