

Help Those in Need and Help Yourself as Well

Useful information about financial planning and planned giving



By David Wilcox, Board Member

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Hunger continues to be a big issue in Lincoln, and the Food Bank of Lincoln is trying to tackle the growing concern. To meet the current and future needs, the Food Bank and Food Bank Foundation need to establish a better way for donors like you to help with the cause. Current cash gifts are valuable, but there are several techniques that can provide significant tax advantages to the donor and a larger benefit to the Food Bank. The following represent a menu of choices that may fit your particular situation.

Life Income Giving

Two unique options here are Charitable Gift Annuities and Charitable Remainder Trusts. Charitable Gift Annuities are a beneficial way to increase a donor's current income stream, especially during this period of extremely low interest rates. Instead of receiving less than 1% on a bank certificate of deposit the donor can create a charitable gift annuity and, depending on the age of the donor, increase the cash flow significantly and receive tax advantages on the income received. Upon the death of the donor, the balance remaining in the annuity would be distributable to the Food Bank of Lincoln or Food Bank Foundation, as designated by the donor.

Charitable Remainder Trusts

Another tool for larger gifts designated to the Food Bank/Food Bank Foundation is a Charitable Remainder Trust. Under these arrangements, which can be Annuity Trusts or Unitrusts, a payout to the donor of at least 5% occurs each year. An annuity trust calls for a fixed payment annually for the life of the trust which could be for 20 years or the life or lives of the donor and his or her beneficiaries. No additional gifts can be made to the annuity trust created. A unitrust provides for a percentage payout of at least 5% but the payout amount can be more or less depending on the annual valuation, but the percentage remains the same during the term of the trust. The donor can also add to the same trust from time to time, and the payout can then be increased to the donor.

The other advantage to these arrangements is with the use of highly appreciated property that has no or very little income the donor increases his or her cash flow and eliminates having to pay

tax on the capital gains. Also, in many cases the assets will not be taxable in the donor's estate.

Life Insurance

Naming the Food Bank or Food Bank Foundation as the beneficiary of your life insurance policy can also provide a significant benefit to the Food Bank if the need for all (or a portion) of the insurance proceeds may no longer be needed. This is a simple technique that can provide future benefits to the Food Bank without reducing the donor's current cash flow. There is no current income tax deduction to the donor, but there is a significant future benefit to the Food Bank.

You can also elect to gift your ownership in active life insurance policies, which would turn over the cost of maintaining the policy to the Food Bank/Foundation, then you could receive a charitable contribution deduction for gifting the amount of the premium payment to the Food Bank/Foundation each year. You get the current income tax benefit and the Food Bank/Foundation gets the insurance proceeds upon your demise. This also takes the insurance out of your estate for federal estate tax purposes.

Charitable Lead Trusts

This is a technique that can be beneficial to donors experiencing current high income subject to tax or assets that the donor may want to pass to a younger generation and reduce the tax cost of the transfer. These trusts can be designed for any period of time and can zero out any gift tax potential to the donor by increasing the amount being paid out to the Food Bank/Foundation during the term of the trust.

A good example of an appropriate use of this technique would be for transferring common stock that is likely to highly appreciate over the next several years. The trust fixes the value of the transfer on the date it is transferred to the Charitable Lead Trust so that future appreciation gets passed down to the child without creating a taxable gift. While it remains in the Charitable Lead Trust the percentage payout goes to the Food Bank/Foundation. This provides a real benefit to both the donor and the Food Bank/Foundation.

Please feel free to contact us so that we can suggest gifting opportunities that best fit your current and future needs. Many thanks for helping us reduce growing hunger here in Lincoln. Our appropriate designation is Food Bank of Lincoln, Inc., and our tax ID number is 47-0640293. To finalize your gift plans, please consult your attorney, accountant or other professionals you trust for advice on estate and tax planning. If you would like to let us know of your plans to name the Food Bank of Lincoln as a beneficiary, contact John Mabry at jmabry@lincolnfoodbank.org or (402) 466-8170, ext. 110.