Professional Advisor Newsletter
May 2022

Hello, and Happy May!

This month, our newsletter is heavily focused on tax and legal matters. As you and other advisors emerge from a busy tax season, we know that legislative changes, charitable giving vehicles, and even cautionary tales are topics that are likely to capture your interest.

As always, the community foundation is here to help you and your clients navigate the various options for charitable giving. We'll help give you the insights and confidence you need to develop plans that enable your clients to provide the charitable support they intend while also keeping the clients' activities well within the boundaries of the law.

It is our honor and pleasure to work with you and your clients. We look forward to talking with you soon!

(This newsletter is also available at https://cfgrundycounty.com/professional-advisor-newsletter/ so that you can access all of the live links)

–Julie Buck, CAP®
Executive Director

QCDs: Good news and important reminders

Qualified Charitable Distributions, or "QCDs," have been in the news a lot lately, especially in light of proposed SECURE Act 2.0 legislation that passed the House of Representatives in March and is now pending in the Senate.

Through a QCD, starting at age 70½, your client can instruct the administrator of an IRA to direct up to $100,000 per year to a qualified charity. This helps your client's tax situation because the client does not need to report the amount of the QCD as taxable income.

Here are four important reminders about QCDs:

–Even though the SECURE Act changed the Required Minimum Distribution (RMD) age to 72 from 70 ½, the QCD age is still 70 ½.

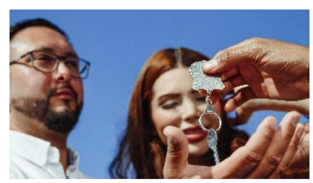
–QCDs **cannot** be made to donor-advised funds, but your client **can** set up a designated, scholarship, or field-of-interest at the community foundation to receive a QCD.

–Under a version of the proposed SECURE Act 2.0 legislation, QCDs would be indexed for inflation. In addition, proposed legislation would allow a client to make a one-time QCD of up to $50,000 to a charitable remainder trust or other split-interest entity.

–Finally, be sure to help your clients coordinate their QCDs with their Required Minimum Distributions. Proper planning will help avoid troublesome tax pitfalls.

Please reach out to the team at the community foundation to learn more about QCDs and how your client can design a fund to support financial and tax goals as well as charitable giving goals.

Income timing: A NIMCRUT could hold the key



Clients who own closely-held businesses, real estate, or even cryptocurrency may be good candidates for a particular type of charitable remainder trust known as a NIMCRUT, which is short for “Net Income with Makeup Charitable Remainder Unitrust.”

The way it works is that your client transfers a highly-appreciated asset to a trust. The trust terms provide for the payment of a fixed percentage (at least 5%) of the trust’s value, revalued annually, to your client or another beneficiary.

Here’s the key with the NIMCRUT: The terms of this type of trust also provide that if the trust’s income is less than the designated fixed percentage, the trust will only distribute the actual income. Later, upon the liquidation of the highly-appreciated asset, for example, the income distributions will be made up.

In this way, not only does the NIMCRUT keep the highly-appreciated asset growing under favorable tax conditions inside the trust until it is sold, but it also allows your client to receive the higher income in later years, such as retirement, when the client’s tax bracket is likely to be lower. As with other types of charitable remainder trusts, when the term of the NIMCRUT expires, the remainder passes to charity.

Some NIMCRUTs deploy a “FlipCRUT” feature which removes the net income limitation upon a triggering event (such as the sale of an asset or a date). This creates even more flexibility in timing income for your client.

Note that it’s wise to consider naming a public charity, such as a donor-advised fund at the community foundation, versus a private foundation, as the charitable remainder beneficiary of a NIMCRUT or other charitable remainder trust. This optimizes the amount of your client’s up-front charitable deduction when the trust is funded.

Social consciousness: Today's expectations of advisors

Especially over the last few years as social consciousness has increased, many of your clients have no doubt become more interested in how they can make a difference through their philanthropic activities, whether those activities include giving to favorite charities, volunteering, serving on boards of directors, purchasing products that support a cause, and respecting a sustainable environment.

As clients grow more in tune with social impact, they are expecting their advisors to be ready to help them structure and plan their charitable giving. What’s more, clients who receive charitable planning advice from their advisors tend to be more loyal and more willing to recommend their advisor to others, especially when that advisor is proactive in bringing up options for incorporating philanthropy into financial and estate plans.

With that in mind, the community foundation is here to help you stay up to date with philanthropy topics so you can, in turn, have the conversations and deliver the services your clients are seeking. To that end, for an insightful look into the inner workings and current state of the philanthropy industry, we suggest skimming the written testimony that the Council on Foundations recently provided to the Senate Finance Committee. The Council, a major voice and advocate for philanthropy in the United States, notes that the current economic and legislative environment has created a “pivotal moment for nonprofits and their philanthropic partners.”

The community foundation is also here to help you avoid treacherous situations as you create philanthropic plans for your clients. Sadly, as philanthropy and giving grow larger on the radar, periodic bad news is almost certain to bubble up. The unfortunate situation going on at St. Jude Children's Research Hospital, for instance, involving legal fights with families is an example of how important it is to create a philanthropic plan and related legal documents that are rock solid on donor intent.

The team at the community foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

Community Foundation of Grundy County
520 W. Illinois Ave, Morris, IL 60450
815-941-0852
https://cfgrundycounty.com/
julie@cfgrundycounty.com