Professional Advisor Newsletter
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Greetings from the community foundation!

As global and national events continue to remind us about what's really important, our board of trustees and staff remain deeply and increasingly committed to deploying the power of giving to create positive change in the world.

Recently, we reflected on a 2017 Forbes post about the important role community foundations play in responding to tragedies and disasters. Still relevant nearly five years later, this article offers a simple review of the ways our community foundation and other community foundations across the country are uniquely qualified to address global issues with local impact, and local issues with global impact, through a combination of deep community knowledge and charitable giving expertise. The short article may also be worth sharing with clients who are building philanthropic legacies now and for their families' future generations.

Thank you for trusting the community foundation to help you stay current on legislative changes that impact charitable giving, trends in philanthropy, and planning techniques. We look forward to continuing to help you serve your philanthropic clients by offering solutions to address local, national, and global needs, as well as helping your clients build legacies across generations.

(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

Planning for retirement and giving to charity: Intertwined solutions in economically puzzling times

Retirement planning no doubt is an important discussion topic during client meetings every year. In recent months, though, you may have observed an uptick in clients' questions about their plans for retirement, perhaps related to:

–Required minimum distributions ("RMDs") from qualified retirement plans, including questions prompted by media coverage of pending legislation known as SECURE 2.0;

–Stability of retirement investments, a topic that is widely covered in mainstream financial news; and

–Rising interest rates and what that means for retirement, which is also a frequent topic in the media, along with inflation's impact on retirees.

Against this backdrop, the issues become particularly complex for philanthropic clients. Here are answers to questions you may be asking:

What's going on with updates to the charitable giving components proposed in the SECURE 2.0 Act?

Right now, SECURE 2.0 includes a provision that would index the $100,000 Qualified Charitable Distribution ("QCD") allowance for inflation and also expand the technique to allow for a one-time transfer of $50,000 to a charitable remainder trust or other split-interest vehicle. But those enhancements are not the law, yet. Overall, the legislation appears to stand a good chance of becoming law. Still, a lot can happen as the House and Senate reconcile their respective bills before the legislation heads to President Biden for signature.

So what should I be telling my clients about the potential changes to the Qualified Charitable Distribution rules? Or should I say nothing?

For clients who are seriously considering a QCD, it may be worth mentioning these potential enhancements. But in general, it's usually more confusing than helpful to bring up pending legislation, no matter how exciting. Instead, consider placing your focus on the QCD rules as they currently stand. The QCD already is a strong planning tool.

When should I reach out to the community foundation for help with QCDs?

The answer is: anytime! The community foundation can help establish a qualifying fund to receive your client's Qualified Charitable Distribution, regardless of whether the SECURE 2.0 enhancements become law. The recipient fund can't be a donor-advised fund, but there are other very effective options such as designated, scholarship, and field of interest.

With interest rates rising, are there particular techniques that I should be discussing with my clients who are planning for retirement and are charitably inclined?

Yes. Now is a good time to consider talking with these clients about charitable gift annuities. A charitable gift annuity, like any other annuity, is a contract. Your client agrees to make an irrevocable transfer of cash or assets to a charitable organization. In return, the charitable organization agrees to pay the client (or the client's designated beneficiary) a fixed payment for life. Your client is eligible for an immediate income tax deduction for the present value of the future amount passing to charity.

What if my client needs the tax deduction this year but won't be retiring for several years?

Charitable gift annuities offer flexibility, in that your client may choose to structure the contract as a "deferred gift annuity," meaning that the client starts receiving payments at a future date (or upon a future event such as retirement), rather than immediately while the client's effective income tax rate may still be high. In this way, the charitable gift annuity can be a tax-savvy component of an overall retirement plan.

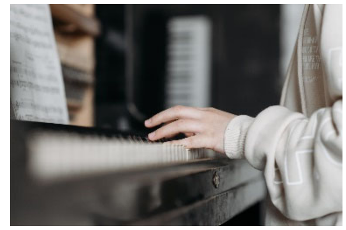
How do rising interest rates factor in?

Client discussions about charitable gift annuities are especially timely because the American Council on Gift Annuities recently voted to increase the "rate of return assumption" used as guidelines for maximum payout rates. Effective on July 1, 2022, the return assumption will increase from 3.75% to 4.5%. This means that the Council's suggested payout rates will be going up. That's good news for a client's income stream.

What's the bottom line on this?

The net-net here is that rising interest rates make the charitable gift annuity an even more attractive tool for clients who want to combine charitable planning with retirement planning. The team at the community foundation can help you evaluate this option to determine if it is a good fit for your client.

Playbook: Helping clients organize their giving through a donor-advised fund



Your clients will arrive in 15 minutes. You're reviewing the file. Everything is in order. The estate planning documents are up to date, you're ready to share the latest investment results, and you are prepared to debrief the 2021 tax season and make tax planning recommendations for the remainder of this year. It sounds pretty typical up to this point, right?

As you continue to scroll through the materials, you see the names of several charitable organizations that your clients have supported every year for at least a decade. Ah ha! This is an opportunity to add even more value to your clients. Easy for a busy advisor to overlook, charitable giving habits are actually an important window into helping a client make planning decisions around their philanthropic intentions.

Here's a simple playbook to guide you through a client conversation to begin establishing a charitable giving plan using a donor-advised fund at the community foundation:

–Call your clients' attention to their charitable giving history. They might not even be aware of how much they are giving or how long they've been supporting their favorite charities.

–Gather more information about why the clients support those particular causes. Family tradition? Past involvement as a beneficiary of an organization's services? Desire to impact a particular area of need?

–Talk with your clients about their community involvement. Do they serve on any boards of directors? Do they volunteer at local organizations?

–Review any charitable giving provisions in the current will or trust. Are the clients leaving a bequest to favorite charities?

–Ask your clients if they've ever considered organizing their giving through a donor-advised fund. If they are not familiar with donor-advised funds, perhaps offer a quick primer, and certainly offer to introduce the client to a member of the community foundation team.

–Briefly mention that a donor-advised fund can be an effective alternative to a private foundation, thanks to fewer expenses to establish and maintain, maximum tax benefits (higher AGI limitations and fair market valuation for contributing hard-to-value assets), no excise taxes, and confidentiality (including the ability to grant anonymously to charities).

–Also mention that a donor-advised fund at the community foundation is frequently a more effective choice than a donor-advised fund offered through a for-profit brokerage firm. That's because, at a community foundation, the donor is part of a community of giving and has opportunities to collaborate with other donors who share similar interests. In addition, the donor is supported in strategic grant making, family philanthropy, and opportunities to gain deep knowledge about local issues and nonprofits making a difference.

Finding the good, giving as a wealth strategy, and an open invitation

It can be hard to see the good in people as heartbreaking exceptions seem to dominate modern life, but it is worth remembering that philanthropy–"love of humanity"--is alive and well. A study at Stanford University indicates that a sense of community and calls to action help align people around common values. Indeed, high-profile examples of philanthropy, from Carnegie Hall to the manatees, help reinforce the notion that people can turn altruism into action through their leadership and financial resources.

What's more, nearly two-thirds of high net-worth philanthropists agree that charitable giving is part of their overall wealth strategy, according to a recently-released study by BNY Mellon reporting the results of a survey of individuals with investable assets of at least $5 million. Once again, the takeaway here for advisors is that it is important in any situation to at least ask whether the client would like to incorporate charitable giving into their financial and estate plans. If the answer is yes, the team at the community foundation is just a phone call away to provide guidance and serve as a sounding board.

Your clients' charitable intentions, coupled with the community foundation's ability to structure donor-advised funds and other charitable giving vehicles to meet your clients' financial and community impact goals, create many opportunities for us to work together. The offer is always open for our team to stop by your office over breakfast, lunch, or even as a midday break to exchange ideas. We'd love to help you help your clients make a difference in our community.

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.

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