



Professional Advisor Network

March 2023 Newsletter



Hello from the community foundation!

Many thanks to those of you who have reached out over the last few weeks with questions you're hearing from your clients. We're happy to address three of the topics that appear to be top of mind. Specifically:

--**Disaster giving** is very much on your clients' minds, as it is on all of our minds. Thank you for asking about how the community foundation can help your clients navigate the balance between giving globally and giving locally.

--We've seen an uptick in inquiries about the types of funds your clients can use to receive **Qualified Charitable Distributions**.

--We are hearing from more and more of you that your business owner clients are interested in exploring ways to **wrap charitable gifts into an eventual business exit or liquidity event**.

Thank you for all you do for our community! We appreciate the opportunity to work with you as you serve your clients. Together, we are making our community a better place for everyone.

Disaster Giving – Local and Abroad

Both the recent one-year anniversary of the start of the Ukraine conflict and the earthquake that has devastated Turkey and Syria are causing more and more people to explore [ways they can help](#). In an era of abundant giving methods and (sadly) potential fraud, the community foundation is a source of reliability and expediency to help your clients act on their charitable instincts to give to disasters outside of Grundy County.



There are many viable options for your clients to activate their generosity toward relief efforts, but there are also caveats. While global disaster giving is important, it is also important for clients to remember that we have a [Disaster Fund right here at CFGC](#) that is ready to respond to Grundy disasters at a moment's notice.

How the community foundation can help

The community foundation can help your clients fulfill their giving instincts by acting as a secure, knowledgeable, and trustworthy facilitator. Our team personally knows—and regularly vets—hundreds of charities every year, and we can help you and your clients navigate the options for both local and international giving.

Frequently, a donor-advised fund at the community foundation will be a suitable giving vehicle for your clients. Our team can help connect your clients to the causes they care about

by identifying the most effective organizations addressing the critical needs both locally and globally in your clients' areas of interest. Working with the community foundation also helps your clients secure robust tax planning benefits that can be missed when a client gives to charity on an impulse.

Finally, the community foundation can help your clients steer clear of scams perpetrated via familiar-looking but sham websites and QR codes, both of which proliferate during highly emotional or threatening times surrounding a disaster. While your clients may be tempted to make a gift online or by phone out of compassion in response to a verbal solicitation or a news story, remind them that the community foundation has much to offer—safely, securely and advantageously—when it's time to make impactful humanitarian gifts both here and abroad.



Hidden no more: Designated funds and field-of-interest funds

Most attorneys, accountants, and financial advisors are well-aware of donor-advised funds and the reasons behind their popularity. Especially when a donor-advised fund is established at the community foundation, this vehicle is an excellent way for your clients to organize their charitable giving and get even more connected to the causes they care about.

Enter the Qualified Charitable Distribution

Your clients can give nearly any type of asset to a donor-advised fund at

the community foundation. A notable exception, though, is rules for the [Qualified Charitable Distribution](#) (QCD). A QCD allows a taxpayer 70 ½ or older to make a direct transfer of up to \$100,000 annually from an IRA to a qualifying charity. A donor-advised fund is *NOT* considered to be a qualifying charity.

Although donor-advised funds cannot accept QCDs, the community foundation offers other types of funds that *CAN* accept QCDs: [designated funds, field of interest, scholarship, and agency funds](#) held at the community foundation are ideal recipients of QCD transfers. [It's easy to contribute to existing funds](#) or create one that you design. These fund types are often overlooked, despite the high value they can deliver to your client and to the community.

QCD reminders

For the client aged 70 ½ through 72, a QCD removes funds from an IRA before the client reaches the age-73 threshold for Required Minimum Distributions (RMDs). This can lessen the eventual income tax hit that accompanies RMDs. And for RMD-applicable clients, the QCD counts toward their RMD. In both cases, the QCD transfers do not fall into the client's taxable income – provided that the client/donor instructs the QCD administrator to send the distribution directly from the account to the charity.

QCDs are even more popular now that the \$100,000 cap will be indexed for inflation under the [new laws](#). Also, under the new laws, a one-time, \$50,000 distribution to a charitable remainder trust or charitable gift annuity is now permitted. Please

Giving a business to charity: Stack the odds in your client's favor

Despite [recent reports](#) of a 55% decline in charitable giving by the top 50 U.S. donors in 2022, high profile giving by donors associated with well-known businesses has maintained its place in the limelight, even amid recent market volatility and tenacious concerns about inflation and interest rates. Recent examples abound, including last year's gift of Patagonia by founder Yvon Chouinard; the well-reported generosity of philanthropists Melinda French Gates and MacKenzie Scott; and the portion of the [proceeds](#), potentially worth \$5 billion, from the eventual sale of Subway restaurants that are set to flow to a charitable foundation.

As an advisor to business owners—and collaborating with the community foundation—you can help your clients leverage potential future liquidity events to support the community causes they care most about.

Advance [planning](#) is critical. The community foundation team is happy to get involved as early as possible in your discussions with a client about giving part (or all) of a closely-held business to charitable causes. These transactions carry with them layers of complexity, largely around the timing of the charitable gifts in relation to the sale transaction. The best outcomes are achieved through a thoughtful, multi-step process.



Many successful closely-held exit transactions occur only after several [years](#) of planning—and most of that planning occurs well before potential buyers are even engaged. This planning period is an important time for your client to consider giving ownership shares of the company to a donor-advised fund at the community foundation, especially knowing that under certain circumstances, the proceeds of the shares held by the donor-advised fund will be immune from capital gains taxes if the business eventually does sell, leaving more money to support the client's favorite causes.

You might even consider encouraging your client to give shares to a donor-advised fund not all at once, but in increments over time during the business exit planning period (before a buyer is identified). This can help avoid the appearance that the gift is merely a function of the business sale and as such intended to be a tax dodge. If the IRS determines that the stock gifts to charity and the sale of the company are really one and the same event—a [“step transaction”](#)--the tax benefits of the charitable deduction could be disallowed.

Another essential part of the process is to secure [a proper valuation](#) of the stock by an independent and qualified appraiser for charitable deduction purposes when the ownership is gifted to the donor-advised fund at the community foundation.

Please reach out to the team at the community foundation to discuss how we can help your business owner clients who intend to maximize their future ability to support the local charities they love.



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