Nationwide®

Nationwide Retirement Institute® | Estate planning and wealth transfer

Supporting charitable causes while protecting children's inheritance

Discover how planning ahead can make your charitable giving more meaningful through a gifting plan.

A charitable gifting plan can help you create a meaningful and lasting legacy as you make a significant contribution to your community and take advantage of financial benefits for yourself and your family.

What gifting options are available?

There are many strategies for **charitable gifting**, each generally offering tax benefits to the person making the gift. Those benefits vary based on the nature of the asset gifted and the strategy used. The many ways to execute on charitable intent include, but are not limited to:

- Outright donations of money or assets
- Life insurance legacies
- Charitable gift strategies
- Qualified charitable distributions
- Charitable trust
- Donor-advised funds
- Charitable donation
- Various other arrangements

What are the benefits and how does it work?

When you choose to support a nonprofit organization through charitable giving, you invest in and enrich the lives of those whom the organization seeks to help. In turn, you can benefit as well.

Some **potential tax benefits** of charitable gifting can include:

- A significant current income tax deduction
- A reduction of taxes associated with required minimum distributions
- A reduction in the size of your taxable estate

Consider this example: Let's say you want to support your favorite charity with a **charitable remainder trust (CRT)**, a wealth transfer and tax planning tool. You can set up the trust and fund it with a large contribution of highly appreciated stock, thereby avoiding capital gains taxes and getting a nice income tax deduction as well. The CRT can be set up to pay income for the rest of your life, leaving the balance to charity when you pass away.

What about your children?

When considering support for charity, one potential issue arises regarding its impact on the inheritance of your children. After all, if you make large donations to charity, there will be less to pass on to heirs.

By proactively planning to replace the value of your donation, you can circumvent this issue with an **irrevocable life insurance trust (ILIT)** — a wealth replacement trust. You use the income from the CRT to make gifts to the ILIT, which can then purchase a life insurance policy on you.

When you pass away, the tax-free death benefit will pay into the trust. The trust will then distribute the tax-free death benefit to your heirs.

Additionally, you can use the trust to control the distribution of the death benefit through restricted beneficiary designations. This can be a useful consideration when heirs may be too young or immature to handle a lump-sum inheritance.

Your financial professional can help you decide which charitable gifting strategies and techniques may be best for you and your legacy.

Work with your financial professional to take actions that will help make your charitable intent as effective and tax efficient as possible.

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