



Your Guide to

GIFT

PLANNING



Achieve your personal, financial and philanthropic goals with charitable giving



**United Methodist  
Foundation** of Michigan

# Charitable Gifts to Consider

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## • Annual Giving

A yearly or other routine financial gift you make to our organization

## • Major Giving

A gift you make of significant size that stands out from your annual giving

## • Planned Giving

When you make plans now for a gift that generally occurs in the future. Also called gift planning, it includes many current non-cash gifts, such as real property. Some planned gifts create current tax benefits and income streams for you.

## • Blended Giving

A combination of any of the above

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The information in this guide is not intended to serve as tax, legal, investment, or financial advice. Gift results may vary. Consult your personal financial advisor for information specific to your situation.

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# Introduction

- This booklet introduces you to some of the basic but helpful concepts of gift planning. Gift planning is a way you can support the causes and organizations important to you in creative and strategic ways.

## Planned gifts offer you benefits now and in the future.

When most people think of charitable giving, they think of cash gifts or appeals they receive in the mail or perhaps special events. However, gift planning opens a universe of options.

Some planned gifts create new income streams that pay you, or you and your loved ones for life. Many planned gifts create significant tax benefits that may reduce or in some cases eliminate:

- Income taxes
- Capital gains taxes
- Estate taxes



This booklet's contents and examples are only a glance at the possibilities and the potential you can achieve with a little planning. Call, email, or visit our website to learn how these and other types of planned gifts can help you accomplish your philanthropic goals while also serving you and your family.



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# Charitable Bequest

A charitable bequest is a promise in your will, living trust, or codicil to make a gift when you pass away. It usually takes less than a paragraph, often a sentence or two.

A bequest is one of the easiest ways to leave a gift because it costs you nothing now. However, it provides you a way to create or grow your legacy while supporting the cause or causes important to you.

The key is to use our proper name, contact information and tax ID number, so your estate administrator knows and can follow your wishes. Other sections of this booklet explore more gifts you can make at your passing that work outside your will but in harmony with it.

## A CHARITABLE BEQUEST GIVES YOU:

### Flexibility

You can give a specific dollar amount, a percentage of your estate, or even a specific asset, such as from a retirement account. You can also leave a remainder for anything you did not give elsewhere.

### Power

You retain full ownership and control of your assets all your life. You can use your assets as you want, and you can always change your mind.

### Strategy

You can include options and different scenarios in your plans. For example, you can make a charitable gift only if certain other circumstances have occurred.

### Savings

If your estate will be subject to estate taxes, a charitable bequest may reduce your estate's taxes by creating a charitable estate tax deduction.



## IDEAL FOR:

Anyone. Everyone should have a will, and anyone can include a charity in it.

## LEARN MORE

If you want to learn more about charitable bequests or want sample bequest language to give to your attorney, we offer several free resources at [umfmichigangiving.org](http://umfmichigangiving.org)



## OBJECTIVE

You want to make a future gift to our organization that provides you with flexibility if your needs change.

## SOLUTION

Establish a gift in your estate plan today while preserving your savings for tomorrow.

## BENEFITS

Support the causes you care about while saving potential estate taxes and retaining assets to meet your future needs.

# Beneficiary Designation

A beneficiary designation, or payable on death directive, is a form you complete for your checking, savings, CD, investment or other accounts. It tells your account administrator what to do with the funds when you pass away. The administrator sends the funds to the people and/or charities you choose.



The administrator provides this form to you, often online. It usually only takes a couple of minutes to complete. As with a bequest, it is important for you to have our proper name, contact information and tax ID.

You can do this for almost any type of financial account, including retirement accounts. Its benefits are fantastic, especially considering how easy it is to complete.



## IDEAL FOR:

Someone with funds held by financial institutions who wants to name a charity as the ultimate beneficiary.

### SIMPLICITY

You fill out a straightforward form your financial institution gives you.

### FLEXIBILITY

You can change your mind as often as you want to change the form.

### OBJECTIVE

You want simplicity and the ability to change your mind about who will receive your funds when you pass away.

### SOLUTION

Complete your beneficiary designation form naming the people or charities you wish to receive funds in your account when you no longer need them.

### EASE

You can complete this form by yourself and without the complexities of creating or changing your will.

### TIMING

Since most of us hold many of our assets in these types of accounts, this can be a major feature of your overall strategic plan.

### BENEFITS

#### *Ease*

The form takes moments to complete.

#### *Options*

You can change the form as often as you might change your mind.

#### *Cost-free*

It costs nothing to complete the form.

#### *Control*

Since the funds only transfer upon your passing, you maintain full ownership and use of the funds without any obligations.

# Charitable Gift Annuity

When you fund a charitable gift annuity, we pay you for life at fixed, attractive rates.

A gift annuity is a contract between you and our organization where we agree to pay you or you and a loved one (or one or two people you choose) for life.



## IDEAL FOR:

Someone wanting fixed payments for life, especially if he or she has cash or appreciated property producing little or no income.

We base our payment rates on the ages of the payment beneficiaries at the time of funding. We use rates established by the American Council on Gift Annuities (ACGA).

## A CHARITABLE GIFT ANNUITY (CGA) GIVES YOU:

### COMFORT

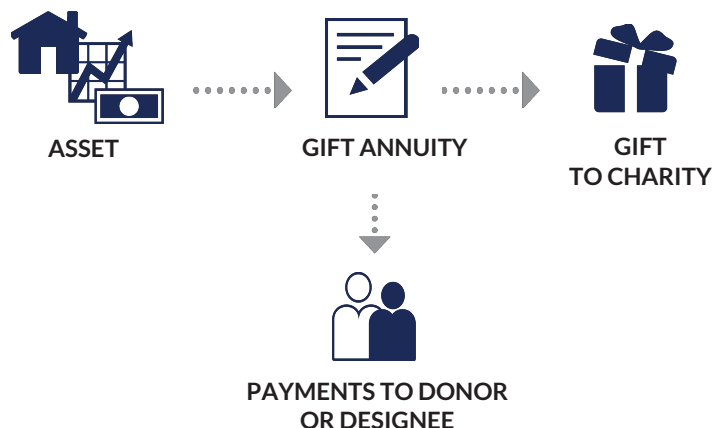
Payments continue in the same amount for life. After a lifetime of payments, any remaining funds automatically support our mission.

### CHOICES

Begin your payments immediately or defer the first payment at least one year to get a higher payment rate.

### PAYOUT RATE

You receive an income tax deduction for part of the funding amount and capital gains benefits when you transfer stock to fund your CGA. Payments are also tax-advantaged.



## OBJECTIVE

You want to receive fixed payments for life while making a gift to charity. Some tax savings would be a nice bonus.

## SOLUTION

Start a charitable gift annuity with us.

## BENEFITS

- Fixed Payments for Life*  
To one or two individuals.
- Tax-Free Payments*  
A portion of each payment may be tax free.
- Dependability*  
Your payments stay the same for life.
- Tax Deduction*  
Receive an income tax deduction for part of the funding amount.

# Gifts from Your IRA

The IRA (individual retirement account) gives you several options for charitable giving, especially if the government requires you to take a required minimum distribution (RMD) from it.

One of the simplest gifts you can make using your IRA is to name our organization as a remainder beneficiary. When you do, funds transfer to our cause when you pass away. Please see our earlier section on beneficiary designations to accomplish this. However, if you must deal with a required minimum distribution, your IRA may offer you some surprising options.

If you are 73 or older, the government requires you to distribute money from your IRA. Rather than take the distribution yourself, you can instead direct your account administrator to make it to our organization. You can satisfy up to the limit that is adjusted each year of your RMD with this qualified charitable distribution (QCD). You can start giving through QCDs at age 70½; this is also called an IRA charitable rollover. To be successful, you cannot take the distribution yourself but must instruct your provider to make the distribution directly to us.

You may also choose to fund a charitable gift annuity with your IRA. You can fund a CGA for up to the limit that is adjusted each year. You can use this option only once in your lifetime.



If you are interested in making an IRA rollover gift, we will provide you with information you can share with your IRA custodian to help you complete your QCD.



### OPTIONS

Rather than take a RMD yourself, make a QCD to us. Pay no income tax on the transfer.

### TAX BENEFITS

You will not receive an income tax deduction for a QCD; however, you will avoid paying income tax you would have paid if you had taken the distribution from your IRA.

### PAYMENTS

Fund a CGA from your IRA and receive payments for life. Spread income taxes over the life of the annuity.



IRA



IRA QCD FORM  
TO CUSTODIAN



IRA ROLLOVER GIFT  
TO CHARITY



### OBJECTIVE

Avoid paying income tax on a distribution you probably do not want to take from your IRA.

### SOLUTION

Direct your account administrator to distribute funds to our organization to satisfy your RMD up to the limit that is adjusted each year.

### BENEFITS

#### *Income Tax*

Because you do not take the distribution yourself, you pay no income taxes on it.

#### *New Income*

Fund a CGA with your RMD (up to the limit that is adjusted each year) and receive attractive payments for life.

# Donor Advised Fund

- A donor advised fund (DAF) is a financial account you can use for your charitable donations. A DAF is similar to an investment account, but one with a special purpose.

Think of the DAF as its own charity. When you contribute funds to it, you receive an income tax deduction. You can then use funds in your DAF to make charitable gifts when you want to make them. A DAF may only distribute to qualified, public charities, like us. The DAF cannot return funds to you.

You can establish a DAF with a sponsoring organization or financial institution. The institution invests the funds, and you advise it how you want the funds granted. You can only advise grants, not control them, although most institutions will follow your advice consistently. DAFs offer a range of benefits.



## TIMING

If you want to make a gift this year for tax purposes but are unsure which charity you want to receive it (or when), you can contribute to your DAF and make the grant later.

## PRIVACY

Your DAF can make gifts anonymously on your behalf.

## LEGACY

You can name your children as co-advisors to the DAF, which helps instill a sense of family philanthropy and a legacy for you and them.

## RECORDKEEPING

Rather than track your charitable giving to many organizations, you can give all your donations to the DAF, which consolidates and simplifies your recordkeeping.

## IDEAL FOR:

Someone who wants to give to charity strategically and time his or her giving for maximum benefits.

## OBJECTIVE

You want to time and centralize your charitable giving while adding privacy and a sense of family legacy.

## SOLUTION

Create a donor advised fund, make it the recipient of all your philanthropic contributions, and advise it to make distributions when you want and to the organizations you want.

## BENEFITS

### *Simplicity*

Keep all your charitable dollars in one place.

### *Family*

Involve children and grandchildren in recommending charitable distributions.

### *Anonymity*

Use your DAF to give you privacy if you want to remain anonymous.

### *Growth*

Your administrator invests your DAF to grow, which will allow you to give more, for longer.

# Life Estate Reserved

- A life estate reserved (or life estate) is a way you can receive an income tax deduction today for a gift of your home tomorrow. With a life estate, you deed your residence to our organization but reserve the right to live in it for life.



Because the property will one day transfer to our organization, you receive an income tax deduction for the present value of the remainder interest when we agree to the life estate.

Based on a current appraisal of your property, we can tell you what your tax benefits might be. We will also enter into a maintenance, insurance and taxes (MIT) agreement with you that specifies who is responsible for the property's upkeep.

## IDEAL FOR:

Someone who wants to live in his or her home while receiving a current income tax deduction.

## A LIFE ESTATE GIVES YOU IMMEDIATE BENEFITS:

### CONTINUITY

The Reserved Life Estate typically lasts for the life of the donor.

### TAX BENEFITS

You receive a current charitable income tax deduction.

### UNRESTRICTED

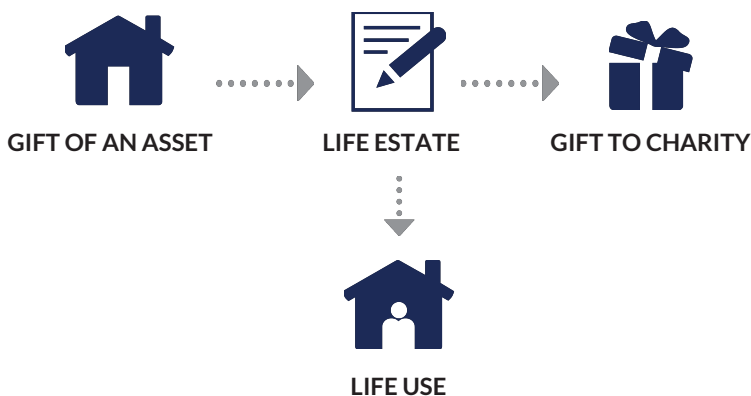
For this to work there can be no restrictions on the remainder interest.

### MORTGAGE

It is possible for you to make a gift of a remainder interest even though there is a mortgage on your property.

### MIT AGREEMENT

You agree to pay the costs related to maintenance, insurance and taxes.



## OBJECTIVE

You want to leave your house or farm to us in your estate plan, but you want to continue to live on the property and have tax benefits now.

## SOLUTION

Deed a home or farm to us with a life estate reserved that gives you the right to use your home or farm for life.

## BENEFITS

### *Tax Deduction*

You receive a charitable income tax deduction for the present value of the remainder interest in the home or farm.

### *Preserves Lifetime Use*

You are able to use and control the home or farm for the rest of your life.

# Bargain Sale

- We buy your property from you for less than its fair market value or we accept a gift of your mortgaged property.



## IDEAL FOR:

Someone who owns appreciated property and wants to benefit us but also wants either cash proceeds or debt relief.

A bargain sale works just like any other sale except the sale price is less than the property's value. You transfer an asset to us and receive a tax deduction equal to the property's value less the sales price.

### CHARITABLE DEDUCTION

Receive a charitable income tax deduction for the difference between the fair market value of the property and the cash we pay you in the bargain sale.

### INCOME

Generate cash from the sale of your property or relieve yourself of the burden of paying a mortgage on it.

### RELIEF

If you are tired of taxes, insurance, and other problems that come with ownership, a sale to us relieves you of those obligations, while sparing you the problems of listing and showing the property.



ASSET



SALE TO CHARITY  
AT LESS THAN  
MARKET PRICE



DONOR RECEIVES SALES  
PROCEEDS AND  
CHARITABLE DEDUCTION

## OBJECTIVE

You want to sell property but also receive tax benefits.



## SOLUTION

Sell the property to us at a discount and receive a tax deduction for the amount of that discount. A gift of property subject to a mortgage works in a similar way.



## BENEFITS

### *Immediacy*

Sell the property now without listing or showing.

### *Bypass Gains*

Avoid gains on the part that is a gift.

### *Tax Deduction*

Receive an income tax deduction for the bargain portion of the sale.

### *Cash*

Turn unproductive property into cash, while also helping us and establishing your charitable legacy.

# Charitable Remainder Trust

- When you form a charitable remainder trust (CRT), it makes payments to people you choose for life or for a term of years you designate. When it ends, it distributes the remainder to our charity.

You can fund a CRT with cash or appreciated property. The trust then sells or manages those assets while making payments. Within designated limits, you choose the payment rates. It gives you many choices.



## IDEAL FOR:

Someone with cash or appreciated property worth at least \$100,000 who desires income tax and possible capital savings.

### FLEXIBILITY

You choose who receives payments and how long the trust pays them. CRTs also offer options that are great for different types of assets, such as timberland, stock, rental property and more.

### FIXED OR VARIED

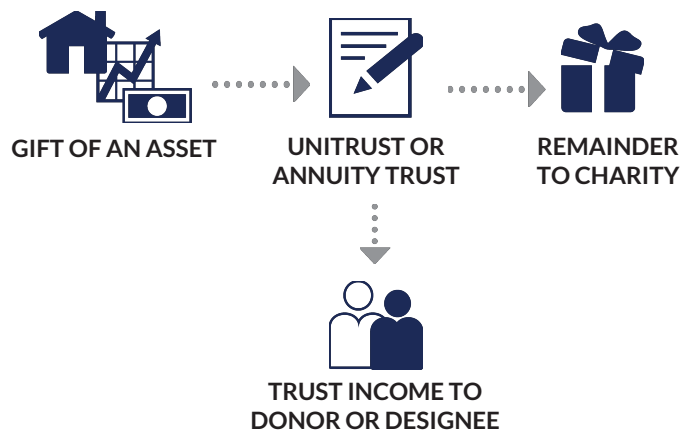
A charitable remainder annuity trust pays fixed annual amounts. A standard charitable remainder unitrust offers payment amounts that generally vary with the annual value of the trust.

### TAXES

The government taxes most payouts to the beneficiary as ordinary income and/or capital gains.

### PHILANTHROPY

After the CRT makes all income payments, its remaining assets transfer to us to support our work.



### OBJECTIVE

You want to use your appreciated property that produces little or no income to start an income stream without paying capital gains tax on the sale of the property.

### SOLUTION

You transfer appreciated property to a charitable remainder trust that will sell the property tax-free and make payments to beneficiaries you choose for their lifetimes or a specified term of years. The remainder supports our organization.

### BENEFITS

#### *Bypass Gains*

Trust sells property tax free.

#### *Income*

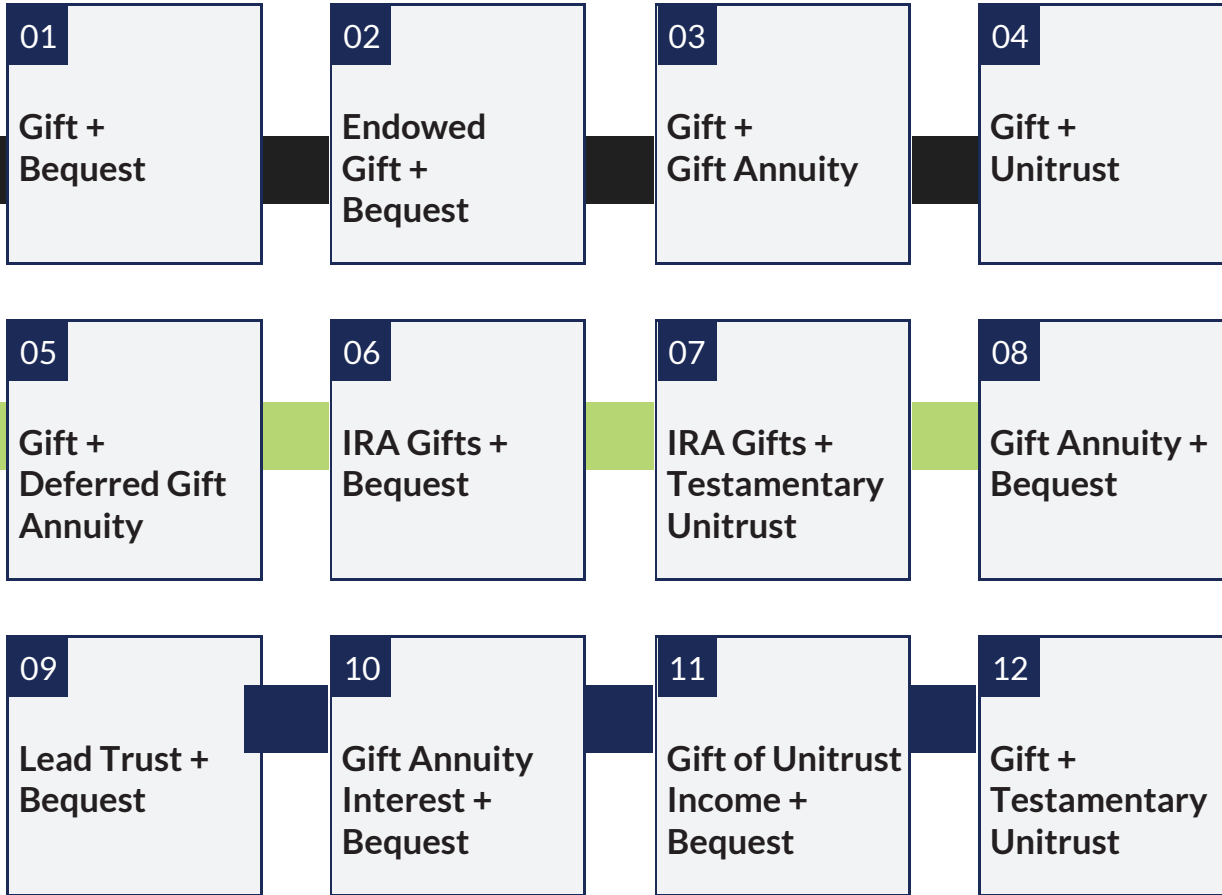
The trust pays a fixed amount or percentage of its value to trust beneficiaries.

#### *Tax Deduction*

You receive a charitable income tax deduction when you fund it.

# Blended Gifts

A blended gift combines one or more types of charitable giving, usually a planned and a major gift. It's a strategic way for you to support the causes you care about and to make your giving go further. Here are 12 common blended gifts:



A current gift creates the opportunity for you to see the impact of your giving today. Adding a planned gift makes it possible for your giving to make a difference in the future. The charitable bequest is the most popular planned gift. Accordingly, the most common blended gift is a combination of a current gift (often a major gift) and a charitable bequest.

## BENEFITS

### Control

You choose what works and gives you the most benefits.

### Flexibility

Build your plan to give you options based on changing circumstances.

### Family

A blended gift often includes children, allowing you to pass your values to future generations.

### Good Feelings

No matter what gift or gifts you choose, you can live every day knowing you have done something good for yourself and for others.

## Why is the gift and bequest combination so appealing to donors?

### LEGACY

When you supplement your annual gifts with a bequest or other gifts, you have more impact and your legacy continues the good works you began.

### FLEXIBLE

A blended gift allows you to mix and match to create a plan and strategy that custom fits your needs and goals.

### BEST OF BOTH WORLDS

Combine tax benefits and new income streams to create a plan that not only saves you taxes but also gives you other financial advantages.



Thank you for reading *Your Guide to Gift Planning*. Before taking any action or making a charitable gift, please seek the advice of your legal, tax, estate planning, financial or investment advisor. You want to ensure any gift you are considering is appropriate given your personal circumstances. If you or your advisor have questions, our expert staff would appreciate and welcome the opportunity to serve you.

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