

ParsecFinancial

Strategic Giving Seminar

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**Charitable Gifting
Strategies to
Maximize Income
Tax Benefits**

The Secure Act

- **The age of commencement for RMDs increased from 70½ to age 72.**
 - If you were born between 7/1/1949 and 12/31/1950, your RMDs will commence in the year you turn 72, either 2021 or 2022.
- **Elimination of the “Stretch IRA” for most non-spousal beneficiaries.**
 - Any non-spouse beneficiary is required to fully distribute the balance of the inherited account within 10 years after it was inherited.
- **Traditional IRA contributions no longer have the 70½ age limit.**
 - This was likely changed since life expectancy has increased and individuals are living and working longer.



Donate via an IRA Using QCDs

- QCDs = Qualified Charitable Distributions
- Allows taxpayers over age 70½ to make tax-free distributions directly to a qualified charity
- Distributions from IRAs to fulfill required minimum distributions (RMDs) are taxed as ordinary income
- A QCD reduces IRA income, which in turn reduces a taxpayer's Modified Adjusted Gross Income (MAGI)



Donate Appreciated Securities To Avoid Taxes on Unrealized Capital Gains

- Securities held in a taxable (non-IRA) brokerage or trust account with significant long-term gains (a holding period of at least 1 year)
- Triggers an eligible tax deduction for the market value of the gift
- Donor avoids paying capital gains tax on the unrealized gain
- Donations of appreciated stock are limited to 30% of AGI



Pursue Roth Conversions

- The timeframe between retirement when earnings drop off and 72 (the gap years) creates an opportunity for income tax planning, specifically Roth conversions.
- Rather than delaying withdrawals from the IRA, another more tax efficient approach is to begin Roth conversions the first full year of retirement.
- There is no tax assessed on the earnings within a Roth IRA and tax on the principal has already been paid through the conversion.



Standard Deduction and Multi-Year Gifting

- 2022 Standard Deduction:
 - MFJ = \$25,100
 - Single = \$12,950
- New limitations placed on certain itemized deductions
- Elimination of miscellaneous itemized deductions
- Consider “clumping” multiple years of gifts into a single year



Maintain Ongoing Charitable Giving with a Donor-Advised Fund

- Donor advised fund (DAF) is a charitable savings account
- QCDs cannot be contributed to a DAF
- DAFs are often funded with appreciated securities
- Once securities are sold in the DAF, capital gains are not realized
- DAFs are great way to teach children principles of financial stewardship by engaging them in philanthropy.



A man in a white shirt is standing and pointing at a large colorful abstract painting on the wall. He is surrounded by several people sitting in a conference room. The room has a polished floor and a large window. The scene is framed by two open wooden doors. The text "PARSEC FINANCIAL LONGEVITY FORUM" is overlaid in white on a dark semi-transparent background.

PARSEC FINANCIAL LONGEVITY FORUM

June 22, 2022

FOUNDATION FOR
THE CAROLINAS

TODAY'S AGENDA

1. WELCOME & INTRODUCTION

2. TRENDS IN THE CHARITABLE SECTOR

YOUR FFTC REPRESENTATIVE



Whitney Feld, J.D.
Vice President, Philanthropic Advancement

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1. WELCOME & INTRODUCTION

- OVERVIEW OF FOUNDATION FOR THE CAROLINAS
- WHAT IT MEANS TO BE A COMMUNITY FOUNDATION
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ABOUT FFTC

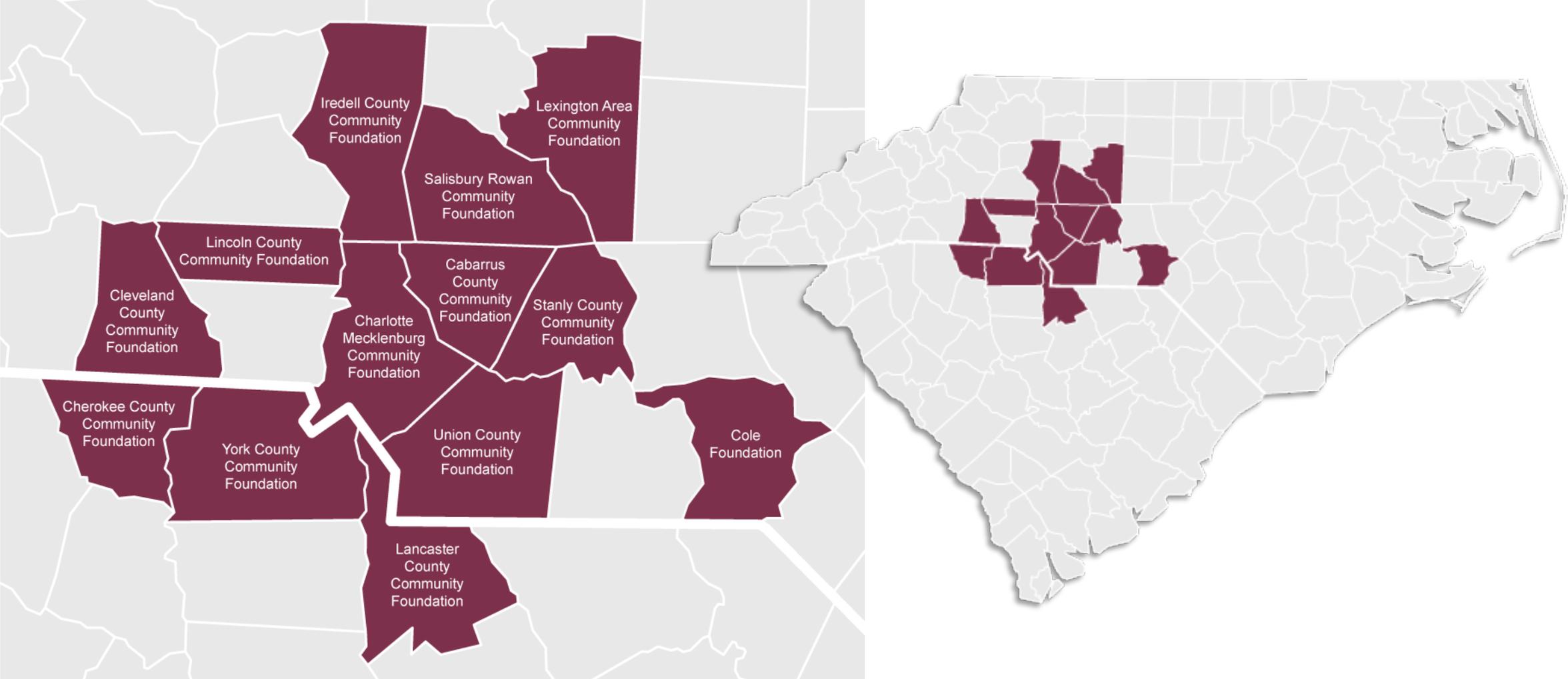
FOUNDATION FOR
THE CAROLINAS

OUR MISSION

Foundation For
The Carolinas
inspires
philanthropy
and **empowers**
individuals to
create a better
community.



OUR REGIONAL AFFILIATE FOOTPRINT



2022 GOVERNING BOARD OF DIRECTORS

Barnes Hauptfuhrer, *Chair, Civic Leader*

Jewell Hoover, *Past Chair, Hoover and Associates*

Chantay Bouler, *Town of Fort Mill*

Marian Steele Clark, *JC Steele and Sons*

Kieth Cockrell, *Bank of America*

Malcomb Coley, *EY*

Betsy Fleming, Ph.D., *Cressence*

Lynn Good, *Duke Energy*

Jada Grandy-Mock, *Fifth Third Bank*

Kelly Katterhagen, *Founder at BlackArch*

Susan Kluttz, *Civic Leader*

Ralph Lopez, *Charlotte Douglas International Airport*

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Tom Nelson, *National Gypsum*

Janice Patrick, *Civic Leader*

Chris Poplin, *Faison Enterprises*

Ruth Shaw, *Civic Leader*

Fred Whitfield, *Charlotte Hornets*

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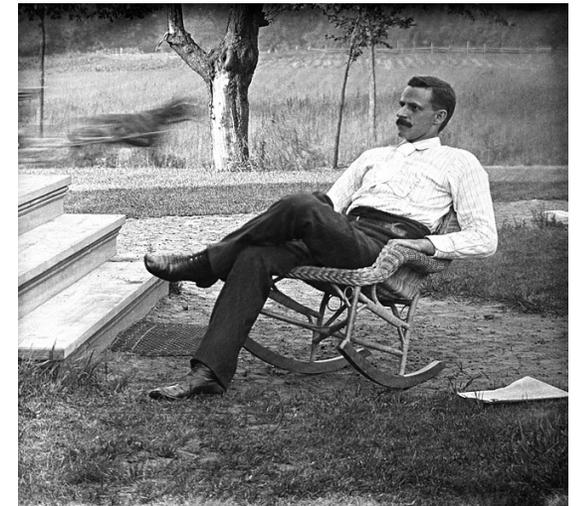
2. TRENDS IN THE CHARITABLE SECTOR

COMMUNITY FOUNDATION'S DEFINED

- Community Foundations are:
 - Public charities
 - Designed to pool donations into a coordinated investment and grantmaking facility
 - Dedicated primarily to the social improvement of a given place
- Over 1,700 world-wide
- 800+ in the United States

COMMUNITY FOUNDATION MOVEMENT

- Frederick Goff established the Cleveland Fdn. in 1914 launching the movement
 - Attorney & President of the Cleveland Trust Company
- At the time, most Foundations were private & founded by titans of industry
 - Goff was a contemporary of Andrew Carnegie and John D. Rockefeller
- Many of Goff's clients created complicated trusts
 - Often challenging to administer and rigid
 - Goff was concerned they would not respond to evolving needs
- The Cleveland Foundation was Goff's solution
 - Relevant and democratic philanthropic tool
 - Committed to the general interests of the entire community
 - Donors (living & deceased) could respond to most pressing needs



UNIQUE ROLE OF COMMUNITY FOUNDATIONS

"How fine it would be, if an individual who was about to make a will could go to a permanently established organization ... and say, 'Here is a large sum of money. I want to leave it to be used for the good of the community, but I have no way of knowing what the greatest need 50 years from now will be. Therefore, I place it in your hands to determine what should be done.'" - Frederick Harris Goff, lawyer, banker and founder of the Cleveland Foundation in 1914

PLACE

Powerful, robust community assets to address local challenges with courage and leadership

PEOPLE

Nurture community-based philanthropists, honor donor intent & shape community discourse

IMPACT

Bring people and resources together to address the social, educational, economic, environmental, and cultural challenges of a community

RESOURCES

Aim to change trajectories and adapt to put new ideas to solve our region's most pressing issues

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FFTC BY THE NUMBERS

**5th LARGEST
IN U.S.**

By assets out of 800+
community foundations

**TOP 5
IN GRANTS**

To nonprofits from
FFTC Funds

**TOP 5
IN GIFTS**

To charitable funds
held at FFTC

Most proud of this one! \$450M+
distributed to nonprofits last year

A photograph of a family of four smiling together in a living room. On the left, a man with glasses and a red shirt is looking towards the center. In the middle, a young girl with braids is smiling. To her right, a woman with glasses and a blue shirt is smiling. On the far right, a young boy in a teal shirt is laughing. The background shows a window with blinds and a lamp.

FFTC CENTERS FOR GIVING

FOUNDATION FOR
THE CAROLINAS

FFTC CENTERS FOR GIVING

CENTER FOR PERSONAL PHILANTHROPY

- Enhances individual's & family's charitable impact
- Tax-advantaged & cost-effective funding options
- Planned giving, legal and financial expertise

CENTER FOR CORPORATE PHILANTHROPY

- Supports charitable goals of local businesses
- Offers cost-effective solutions for greatest impact
- Customizes innovative charitable programs

CENTER FOR NONPROFIT SUSTAINABILITY

- Manages endowments for permanent impact
- Offers cost-effective, custom investment solutions
- Planned giving, legal and financial expertise

ROBINSON CENTER FOR CIVIC LEADERSHIP

- Addresses the region's most pressing challenges
- Convenes experts and leaders for innovation
- Encourages collaboration for maximum impact

CLIENT SPOTLIGHTS

- 1. Minority owner of the Panther's opened a DAF with \$30M & uses FFTC's "custom services" to run his family's annual grantmaking.** *Hidden benefit - The whole family is involved & understands the importance of giving back to community!*
- 2. Former educator & philanthropist leveraged a Charitable Lead Trust to privately fund pre-K for Caldwell County.** *Hidden benefit - Because of FFTC's network, another fundholder was able to leverage the research & expertise developed in Caldwell county and has now piloted the program in Hoke County!*
- 3. Environmentalist & business leader established a Field of Interest fund for her employees.** *Hidden benefit - The client was able to use the required minimum distribution from her IRA & her employees feel valued & appreciated!*
- 4. A philanthropic leader left a \$35M endowment to FFTC in 1996.** *The benefit - The corpus is over \$37M and the fund has awarded ~\$60M in grants.*
- 5. A young family wanted to feel connected to "Charlotte" and opened a DAF for \$10,000.** *Hidden benefit - They've discovered new nonprofits aligned with their values and are giving their time, talent, treasure, & ties to maximize their impact.*

AND 1,000s more...

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EMERGING TRENDS IN PHILANTHROPY

- Watershed moment for philanthropy, impact of compounding crises
 - Global pandemic, natural disasters, reckoning with racial justice, political polarization
- Increased giving to drive impact & address deep-rooted challenges
- Data-informed & community centered grantmaking
- Sophisticated charitable planning that leverages non-traditional assets
- New leadership at the philanthropic table resulting from wealth transfer

TIRELESS GENEROSITY

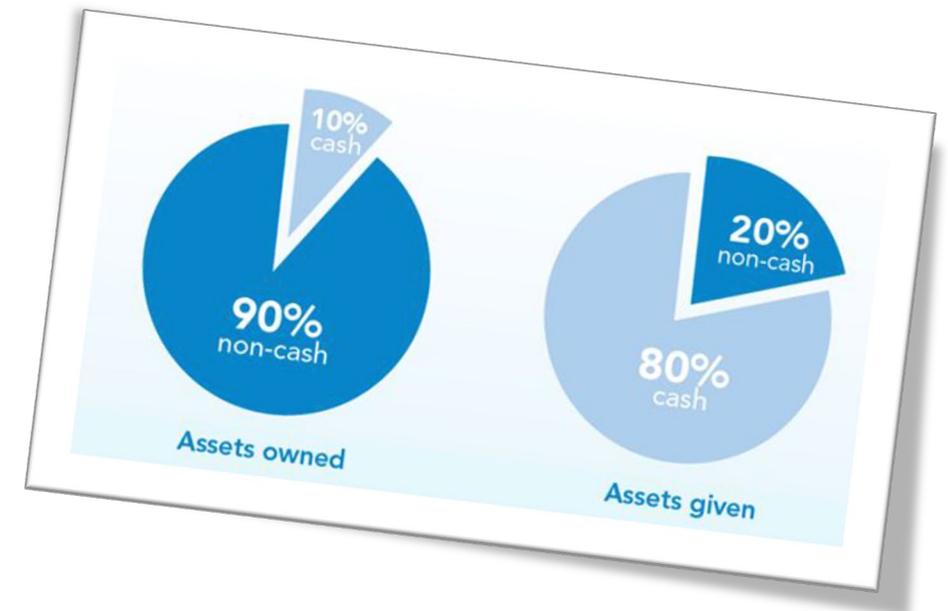
- Americans are giving more than ever before
 - Charitable giving exceeded \$471B in 2020
 - 5.1% increase over 2019 despite a 2.3% decrease in GDP
- One commercial DAF provider reported 13% increase in grantmaking last year
 - That's a 41% increase over pre-pandemic levels
- Average size of grants to nonprofits also increasing
 - Blackbaud reported a 10% increase in average grant amount year-over-year
- Notable growth in charitable dollars toward human services sector
 - This includes organizations like food banks

DATA INFORMED & COMMUNITY-CENTERED GRANTMAKING

- Enhanced giving designed to drive impact & address deep-rooted challenges
 - Often strategic, multi-year, & unrestricted
 - Leverages “big data” to inform grantmaking (e.g., Opportunity Insights)
- “Trust-based” philanthropy gaining national prominence
 - Values lived experience
 - Seeks reciprocity between the philanthropist and the charitable recipient
- Increased support for non-profits tackling systems-level work
 - Read Charlotte & Leading on Opportunity are prominent local examples
- Ubiquitous technology and access to information
 - More pathways to share “best practices” and learn from other initiatives

SOPHISTICATED GIFTING STRATEGIES

- Donors increasingly interested in smarter, more strategic gifting strategies
 - Typically, wide-array of funding options for DAFs including illiquid assets
- In addition to charitable tax deduction, *may* be able to avoid capital gains
- Some limitations gifting retirement assets
 - IRS prohibits use of charitable roll-over provision to:
 - DAFs, Private Foundations, Supporting Organizations, etc.
 - Charitable roll-over may be used:
 - For direct distributions to nonprofits
 - Scholarship funds
 - Field of Interest Funds
 - Designated Funds



NEXT GENERATION LEADERSHIP

- Generation X is entering wealth accumulation phase
 - Expected to experience highest increase in share of national wealth
 - *31% of total net worth by 2030 representing approximately \$27 trillion*
 - As of 2015, ~37% of Gen Xers have more than \$100k in investable assets
- Significant wealth transfer in the next two decades
 - Likely greater than \$70 trillion transferring across generations
 - Beyond add'l financial capital, also likely successor to parent's funds
- Next Gen emphasizes generosity & impact
 - Study indicates 74% of millennials consider themselves philanthropists
 - Charitable giving & charitable living equally valued

THANK YOU!

- FFTC seeks to inspire philanthropy & empower individuals
 - We aim to create a better community for all
- Our Giving Guidebook is free & online
- Grantmaking resources also available
 - Current spotlight on Ukraine, Buffalo, & Uvalde

