U.S. TRUST
Bank of America Private Wealth Management

Philanthropy and Year-End Giving

DIRECT GIVING

Long-term stock

If you have unrealized appreciation in equity holdings, an outright charitable gift of long-term appreciated securities may be appropriate. You can deduct the full market value of the securities as a charitable donation, and avoid both the long-term capital gains tax and the 3.8% Medicare surtax on the appreciation (subject to the limitations applicable to all charitable contribution deductions).

IRAs

Since 2006, certain individuals have been allowed to direct tax-free lifetime transfers from their IRAs to certain charitable organizations, called "qualified charitable distributions," or QCDs.[1] Individuals who are 70½ years or older at the time of transfer can exclude from income up to $100,000 annually in QCDs. Only certain charities can be recipients under this rule: a QCD is a distribution directly from an IRA to certain public charities, private operating foundations, or conduit foundations. Distributions to a split-interest trust (e.g. a charitable remainder trust), a donor advised fund, a supporting organization or a private non-operating foundation do not qualify for this income exclusion. We have a separate Wealth Strategy Report: *Lifetime Distributions from IRAs to Charities*

DONOR ADVISED FUNDS

A charitable gift to a Donor Advised Fund can be an effective way to support charitable organizations and create a lasting family legacy. Contributions are tax-deductible in the year they are made, and you can avoid capital gains tax and the 3.8% Medicare surtax on contributions of appreciated securities. You can recommend grants from your Donor Advised Fund at any time, to any U.S. public charity.[2] Unlike a private foundation, the account is not subject to excise tax, distribution requirements, or annual tax filings. You also have the ability to name your Donor Advised Fund (i.e. "The John James Family Fund") and appoint successor "advisors" on the account, ensuring that family members can stay involved generation after generation.

Certain Donor Advised Funds can also help facilitate the tax deductible contribution of "non-cash assets," such as real estate, private-equity investments, even collectibles, gems, and jewelry. The sponsor of the particular Donor Advised Fund that you choose will have policies regarding the minimum amount of any such contribution, as well as the mechanics of such contribution. Donor Advised Funds can also provide you with maximum privacy. Not only is it possible for you to request that individual grants be made anonymously, but there is no public reporting of donor names for contributions or grants.

We have a separate Wealth Strategy Report: *Donor Advised Funds*.

---

[1] This temporary provision was allowed to expire, but was then re-extended, several times. In December of 2015, this provision was made permanent by the "Protecting Americans from Tax Hikes Act of 2015."

[2] The foundation where the DAF is established is not required to follow the recommended grant, though most usually do.

PRIVATE FOUNDATIONS

A Private Foundation is an effective way to structure philanthropy when it is important for you to maximize control over the investment and disbursement of foundation assets. You can contribute cash or securities to fund a private foundation. If you contribute publicly-traded stock, you can deduct the full market value of the stock as a charitable donation and avoid both the long-term capital gains tax and the 3.8% Medicare surtax on the appreciation (subject to limitations that are less generous than the limitations applicable to gifts to public charities). Contributions of other types of assets are deductible to the extent of your cost basis.

U.S. Trust can provide full philanthropic consulting and administrative services for a private foundation. Our philanthropic specialists can work with you to create strategies that reflect an individual or family's philanthropic goals and objectives. A private foundation provides a level of control that is not available through a Donor Advised Fund.

We have several Wealth Strategy Reports on this topic: (i) *Private Foundations;* (ii) *Private Foundations: Rules of Operation*; and (iii) *Private Foundations – Choice of Entity.*

CHARITABLE TRUSTS

Charitable Remainder Trust

A Charitable Remainder Trust is particularly appropriate for owners of low-cost-basis assets, including stock. By transferring ownership of the asset to the trust, you will receive an immediate tax deduction for a portion of the value of the donation representing the present value of the remainder interest that charity will receive (which must be at least 10%). The trust can then sell the asset tax-free and reinvest the proceeds in diversified, income-producing assets. You would retain an annual payout for your life (or for a term of years of 20 or less). Although the trust can sell your contributed asset tax-free, your annual payment would be taxed to you. You can name one or more charitable organizations to receive the trust assets at year death (or at termination of the term). We have a separate Wealth Strategy Report: *Charitable Remainder Trusts.*

Charitable Lead Trust

A Charitable Lead Trust is a useful charitable vehicle to make a tax-efficient gift or bequest to family while also benefitting charity. With a Charitable Lead Trust, you make a gift to an irrevocable trust that (1) for a term of years pays income each year to a charity that you choose, and (2) upon termination transfers the remaining assets to your family (children, grandchildren, etc.). This has both income tax benefits and gift/estate tax benefits, which are described in a separate Wealth Strategy Report: *Charitable Lead Trusts.*

— **National Wealth Planning Strategies Group**