

Planned Giving

Creating a Legacy with the Beaumont Legacy Challenge and Other Ideas for Year-End Charitable Giving...the time might be right to make some plans.

“Change is the law of life, and those who look only to the past and present are certain to miss the future.” – John F. Kennedy

There is a lot happening these days that makes managing change a priority ... the pandemic, the economy, the financial markets, and the possibilities of changes in the tax laws. While nothing is settled, one way to mitigate these uncertainties is to do some planning including looking at your philanthropic goals.

While the economy has had some quirks mostly caused by the pandemic, in general, the economy and the financial markets have remained strong. Presumably, investment portfolios (including retirement accounts) have had some significant appreciation of value. For some, this circumstance of enhanced wealth has also likely generated a desire to create or revisit financial and estate plans including philanthropic goals.

In addition, the pandemic has likely caused many people to evaluate their estate plans and their desires to assist and sustain charitable organizations.



Creating a Legacy with the Beaumont Legacy Challenge

You may have been previously introduced to the **Beaumont Legacy Challenge** that creates a match of immediately available funds equal to 10 percent of the value of a deferred gift to be used for the same purpose as designated for the planned gift. More details about the program are included below. The **Beaumont Legacy Challenge** provides a terrific opportunity to make a current impact on patient health care at Beaumont.

Examples of deferred gifts that are easy to accomplish are **bequests** and/or **beneficiary designations of life insurance proceeds or from retirement accounts**. You, as the donor, retain control of the deferred gift during your lifetime.

Perhaps you are evaluating your retirement income needs. A **charitable gift annuity** or a **charitable remainder trust** can be used to generate an income stream and, at the same time, accomplish your philanthropic goals.

The size of your contribution can be leveraged with a gift of a **life insurance policy**.

The current low interest rate environment can produce very significant income or estate tax savings for certain donors by using a **charitable lead trust** or a **retained life estate** of a residence or a vacation home. The charitable lead trust creates a more immediate benefit for Beaumont. The retained life estate would allow you to live in/use your residence or vacation home during your lifetime.

Enhancing the Legacy with a Blended Gift

The impact of your philanthropy can be further enhanced by making a blended gift using a combination of a deferred gift and a current gift of cash or property (e.g., appreciated securities).

- Charitable gifts of appreciated securities result in the avoidance of tax on capital gain. You can replace the gifted securities in your portfolio by using available cash with a stepped-up basis.
- More than likely, funds held in retirement accounts have also appreciated in value. Now may be a good time to take advantage of a qualified charitable distribution (QCD) from an IRA if you are age 70 ½ and older. The annual limit for a QCD is \$100,000 (\$200,000 for spouses who both have IRAs). Remember, the QCD offsets the need to make taxable required minimum distributions from an IRA.

Tax Law Changes

Much progress has been made by Congress on a \$550 billion bipartisan infrastructure bill. Also, in the works is legislation for spending for a variety of programs that would, for example, expand the country's safety net and promote climate change mitigation efforts. It is the additional legislation that has the significant "pay-fors" for its spending initiatives.

Various income tax law changes have been proposed by the Biden administration and, alternatively, by the House of Representatives, as part of the "pay-fors," such as:

- Raising the top income tax bracket rate to 39.6 percent;
- Increasing the capital gains tax rate (both 25 percent and 28 percent have been proposed);
- Creating a three percent surtax for very high-income taxpayers;
- Taxing capital gains at ordinary income tax rates at certain high levels of income;
- Taxing unrealized appreciation of assets at the time of a lifetime gift or on death;
- Eliminating the step up to fair market of assets transferred at death;
- Taxing the non-charitable portion of unrealized gain at the time of the creation of a split interest trust (e.g., charitable remainder trust).

Most of the proposals are intended to impact only households with taxable income of \$400,000 or more. None of the proposals would tax unrealized appreciation of assets gifted to a charity, thereby preserving the tax savings from a gift of appreciated property.

The House proposal also would make substantive changes to the federal estate tax by lowering the exemption by half and eliminating popular estate planning techniques used to reduce estate taxes. The new law would go into effect after 2021. The changes would cause many more estates to be taxed at a 40 percent tax rate. Charitable gifts would still reduce the estate tax of taxable estates.

There are other law changes that have been enacted or proposed that may affect your planning. One example is the elimination of the "stretch IRA." The elimination of the "stretch IRA" can be ameliorated with the use of a charitable remainder trust or a charitable gift annuity.

None of the changes will become effective until enacted. While there has been discussion that some changes may be retroactive, there is still time to review your particular circumstances and make plans. You should consult with your financial, legal and tax advisors.

Join the Beaumont Legacy Challenge with Matching Funds

Planned gifts are an important source of funding for Beaumont and are wonderful ways to give. However, the impact of these gifts is not immediate. The matching opportunity of the Beaumont Legacy Challenge can have an impact now on Beaumont for a program area or project that you are interested in supporting.

If you document a new gift to Beaumont in your will or other planned gift arrangement, you can direct matching funds, provided by Beaumont, to be used currently for the same purpose you have designated for your planned gift. It is a way for you to experience an immediate beneficial impact on the program area or project that you are interested in supporting.

The pool of Beaumont matching funds is **\$1 million**. Beaumont will match an amount equal to **10 percent** of the amount of your planned gift.

- For any one gift, the matching funds are subject to a cap of \$100,000.
- The planned gift must be new and have a minimum value of \$100,000.
- Documentation requirements will be in accordance with Beaumont's policies.
- Subject to your consent, you will be recognized for your gift.

Some examples of how the Beaumont Legacy Challenge works are:

- If your planned gift is \$100,000, Beaumont will provide a match of \$10,000.
- If your planned gift is \$500,000, Beaumont will provide a match of \$50,000.
- If your planned gift is \$1 million, Beaumont will provide a match of \$100,000.
- If your planned gift is greater than \$1 million, Beaumont's match is limited to \$100,000.

The Beaumont Legacy Challenge for **new** gifts began May 1, 2021 and ends April 30, 2022.

Please consider taking advantage of the Beaumont Legacy Challenge. We can help with any of your questions and participate in discussions with your financial, legal and tax advisors. Please contact Terry Lang, vice president, Planned Giving* at 947-522-0085 or terry.lang@beaumont.org.

**Terry will direct your inquiry to an appropriate gift officer who will respond to your inquiry.*



The Beaumont Legacy Challenge FAQs

- 1. What types of planned gifts qualify for the Beaumont Legacy Challenge?** All types of planned gifts qualify, revocable or irrevocable, including bequests, beneficiary designations, charitable gift annuities, life insurance policies, charitable remainder trusts, charitable lead trusts, and retained life estates. Planned gifts that are contingent gifts will not qualify.
- 2. Can a donor also make a current gift with a planned gift (i.e., a blended gift)?** We would be very happy to accept a blended gift. However, only the planned gift will qualify for the matching funds.
- 3. If a donor already documented a planned gift to Beaumont, will it qualify for the Beaumont Legacy Challenge?** We are very grateful for prior gifts from our donors. However, the program is intended to generate new gifts, so a prior documented planned gift will not be eligible for matching funds. Any additional planned gift from the same donor will qualify.
- 4. How are planned gifts documented?** We anticipate that the planned gifts that qualify for matching funds will be documented with a gift agreement and supporting materials, such as, for example, copies of pertinent provisions of wills or estate planning documents. The documentation will otherwise be in accordance with Beaumont policies for recognizing such gifts.
- 5. How will the planned gifts be valued?** The planned gifts will be valued at face value. However, the planned gift must be capable of being reasonably valued.



- 6. Will the donors' gifts be recognized?** Subject to a donor's consent, the planned gift will be recognized. Beaumont policies for donor recognition have different levels of recognition depending on the size and circumstances of a gift.
- 7. Has Beaumont done something like this before? Will Beaumont conduct such a program in the future?** No, Beaumont has not done something like this before. The program ends April 30, 2022. Beaumont may conduct a similar program in the future but not likely in the near term.
- 8. How else can I support Beaumont?** We hope that donors will continue to support Beaumont in any way they can beyond the scope of the Beaumont Legacy Challenge.