



North American Management

Financial Planning Note

Lea Ann Knight, CFP®
Director of Financial Planning

Ideas for Charitable Giving

This time of year our thoughts often turn towards those non-profit organizations that are near and dear to us. Whether you give to charities only at year end or you spread your donations throughout the year, it might be a good time to review your overall charitable giving plan.

There are more ways than ever to accomplish your charitable giving goals, and most can be accomplished in a tax-efficient manner. Below I'll briefly outline four popular choices for regularly giving to charity.

Donor Advised Funds: The easiest way to create a sustained charitable giving plan is to establish a Donor Advised Fund (DAF). By gifting low basis stock, private equity, cash proceeds from a liquidity event (such as the sale of a company), real estate, or even collectibles; you can begin a giving program that could potentially last for years. You will get the tax deduction in the year you make the contribution, but you can spread out the grants to multiple charities over a longer period of time. DAFs work especially well if you would like to create a multi-year pledge to an alma mater or other charity. The funds are typically managed by investment companies, who handle all of the tax and reporting requirements.

A Private Foundation: If you would like to be more involved in the day-to-day management of your charitable giving, a private foundation may be appealing. With a foundation you retain control over the grant-making process and generally can opt to give to a wider variety of recipients than may be allowed under a DAF. The cost of running the foundation should be a factor in your decision, however, since there will be increased reporting and legal requirements.

Charitable Remainder Trusts: There are two types of remainder trusts, a charitable remainder unitrust (CRUT) and a charitable remainder annuity trust (CRAT). The difference is in the calculation of the income stream to be provided to the donor. CRUTs and CRATs are probably the best option for those donors who want to make a substantial gift, but aren't quite ready to give up

complete access to their assets. The trusts are irrevocable, but they are designed to provide you with an income stream for a period of time before the charity gets the rest. If you know you won't need the assets during your lifetime, but could use the income generated from them, a charitable remainder trust may be an appropriate tool for giving.

Charitable Lead Trusts: These are the opposite of CRUTs and CRATs. A charitable lead trust provides income to the charity, with the remaining assets eventually going back to you, the donor, or other designated beneficiaries (typically your heirs). This is a tool designed to reduce income, gift, estate and/or generation skipping transfer taxes.

With all of these choices, here are a few questions for you to consider when choosing a gifting vehicle:

1. Do you have significant low basis stock that could be gifted?
2. Are you anticipating a taxable liquidity event in a particular year?
3. Do you need a regular stream of income before you can give away any of your assets?
4. Do you want to be actively involved in grant-making or running grant programs?
5. How active do you want your future generations to be involved in your gifting program?
6. Do you need to be gifting to reduce or eliminate estate tax exposure?

I have included a chart on the next page that I hope will highlight a few of the differences between these four choices. It's important to remember, however, that they are not mutually exclusive and can be used in various combinations to achieve the maximum estate and tax planning objectives while also satisfying your charitable giving goals.

If you have questions regarding any of the above, or would like our help in creating a charitable giving plan, please contact your Relationship Manager or me using the information listed below.

Lea Ann Knight, CFP®

Director of Financial Planning

North American Management

Ten Post Office Square, Suite 1200S

Boston, MA 02109 Telephone: 617.695.2136

Fax: 617.695.2121

North American Management Corporation (NAM) is an SEC registered investment adviser located in Boston, MA and St. Louis, MO. The information presented above reflects the opinions of NAM as of November 17, 2014, and is subject to change at any time based upon legislation change, market or other conditions. These views do not constitute individual investment advice and there is no representation that any of the statements or predictions will materialize. The data in this report is taken from sources that NAM believes to be reliable. Notwithstanding, NAM does not guarantee the accuracy of the data. Any specific investment or investment strategy can result in a loss. Asset allocation and diversification do not ensure a profit or guarantee against a loss. Past performance is no guarantee of future results.

	Donor Advised Fund (DAF)	Private Foundation	Charitable Remainder Trust	Charitable Lead Trust
Suggested Minimum Contribution	Many DAFs have a \$5,000 minimum contribution requirement	To cover the fixed costs of running the foundation, the suggested minimum is \$5 million	To cover the trust set up costs and to provide some income, \$500,000 is a suggested minimum	To provide meaningful annual contributions, \$1 million is a suggested minimum
Types of Assets	Cash, publicly traded securities, certain privately-held investments	Cash, securities, cash value of a life insurance policy, IRA assets, real estate, artwork	Cash, publicly traded securities	Cash, publicly traded securities
Retain investment control	Limited to DAF fund choices	Yes	Yes	Yes
Retain grant control	Can advise DAF; limited to US based public charities	Yes, can include grants to individuals and non-US recipients	Yes, can change charitable beneficiary	Charitable beneficiary usually irrevocable
Relative Expense	Minimal or no account fees	Highest maintenance cost	Investment management fees	Investment management fees
Legal Control	No ongoing legal control	Continued legal control	Trust is irrevocable	Trust is irrevocable
Tax Deductions	Up to 50% of adjusted gross income (AGI)	Up to 30% of AGI	Up to 50% of AGI, depending on type of donated assets	Up to 30% of AGI
Best Feature	Ease of use; low cost	Multi-generational control; most flexibility	Assured income stream for up to 20 years	Estate tax reduction

North American Management Corporation (NAM) is an SEC registered investment adviser located in Boston, MA and St. Louis, MO. The information presented above reflects the opinions of NAM as of November 17, 2014, and is subject to change at any time based upon legislation change, market or other conditions. These views do not constitute individual investment advice and there is no representation that any of the statements or predictions will materialize. The data in this report is taken from sources that NAM believes to be reliable. Notwithstanding, NAM does not guarantee the accuracy of the data. Any specific investment or investment strategy can result in a loss. Asset allocation and diversification do not ensure a profit or guarantee against a loss. Past performance is no guarantee of future results.