

Stewards of Providence: Issues in Charitable Planning

The universal Church, and all of its Dioceses, parishes, religious communities, ministries, apostolates, schools, missions, and charities do wonderful and generous works in our world. With the guidance of the Holy Spirit, the Gospel is evangelized, the poor are fed and sheltered, the young are taught and catechized, the unborn are defended, the elderly are cared for, and the marginalized are given a voice. However, all of these good works require time, talent, and treasure and for many people, there is a desire to help these good works with a charitable bequest, especially since no gift is too small. As the Catechism of the Catholic Church reminds us, the “ownership of any property makes its holder a steward of Providence, with the task of making it fruitful and communicating its benefits to others, first of all his family.” (CCC 2404). Updating an estate plan is a perfect opportunity to consider whether to make a charitable gift and in what fashion. This article will provide a basic overview of a few issues concerning charitable planning that one might wish to consider.

Lifetime gifts of cash or other assets are an example of how one might choose to benefit a charitable organization. Direct gifts to charitable organizations generally provide a current income tax deduction, subject to certain limitations, and give the donor the satisfaction of seeing their gift put to good use. Direct gifts also have the benefit of being straightforward and easy to accomplish without having to modify estate planning documents, although it should be noted that if an individual wishes for his or her Executor to complete the funding of charitable pledges made during lifetime, this request should be specifically spelled out in the will. Funding apostolates, making weekly gifts to one's parish, or donating to the Bishop's Annual Appeal on an ongoing basis can be a wonderful and generous way of using the treasure that we hold as stewards of Providence.

However, direct gifts of cash or assets are not the only type of lifetime gifts. More advanced charitable planning techniques might provide additional benefits to the donor and the charity or can maximize the charitable income tax deduction or the use of assets. For example, if a donor has a highly appreciated asset and wishes to sell the asset with minimal or no capital gain, using a charitable trust might be highly beneficial. The donor transfers the asset to a charitable trust and the trust, instead of the donor, sells the appreciated asset to minimize or eliminate the capital gain. Once the asset is sold, the trust might distribute an income stream back to the donor for a period of time and then distribute the remaining assets to the charity, or the trust might distribute an income stream to the charity for a period of time and then distribute the remaining assets back to the family. In addition to minimizing or avoiding the capital gain upon the sale of the asset, the donor also receives an income tax deduction based on the value of the portion of the trust assets that go to the charitable organization. Charitable trusts require a good deal of advance planning and usually involve the donor's accountant and attorney working together to ensure the trust is properly

drafted and funded to achieve the desired result.

While charitable trusts are excellent tools in the right situation, in this economy many cannot afford a lifetime gift and instead choose to incorporate a charitable bequest as part of their estate plan that will occur upon death. Sometimes these bequests are made prior to distributing the estate to the family. In other cases, people choose to make their charitable bequests contingent on whether or not other family members are living. Either way, if making a charitable bequest at death is important, one should make sure his or her wishes concerning the bequest are properly incorporated into the estate planning documents.

Additionally, in the event a person is facing a potentially taxable estate (which is becoming more and more unlikely for most people since the individual federal estate tax exemption has now risen to \$5.34 million in 2014 and is now indexed for inflation), making use of charitable bequests in a will or an accompanying trust can reduce the taxable estate and minimize the estate tax liability. These tax implications lead to an even greater need to make sure the charitable bequests are handled correctly in the estate planning documents to avoid adverse tax consequences.

We live in a time of enormous wealth and prosperity and we are especially blessed in this country. If we have an opportunity to make a charitable gift or bequest either during lifetime or upon death, it is important to ensure the gift or bequest is properly addressed in the estate plan for the benefit of both the charity and the family. Doing so enables us to be stewards of Providence and allows us to make our treasure fruitful for others.

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