PLANNED GIVING: COMMON STRATEGIES

THE PITTSBURGH FOUNDATION

The Community Foundation of Westmoreland County

We know that philanthropy is deeply personal. **It thrives when you – the donor – your trusted advisor and philanthropic experts collaborate. By partnering on your philanthropic journey, we will build a charitable legacy together that will leave a lasting impact in the community.**

Here are the most common options for planned giving and the steps you can take to make them possible.

BEQUEST FROM YOUR WILL, TRUST OR ESTATE PLAN

A gift to The Pittsburgh Foundation or The Community Foundation of Westmoreland County through your will supports organizations that you care about while maximizing tax benefits to your estate. Bequests are applied to the charitable purpose you request as long as those purposes are reasonable, practicable and within the broad mission of the foundations.

How to make a gift through your will:

1. **Make an unrestricted bequest** that leaves a portion or all of your estate to The Pittsburgh Foundation or the Community Foundation of Westmoreland County.
2. **Make a bequest** to an existing fund.
3. **Establish a named fund** through your will that will benefit one or more charities you care about in perpetuity.

SAMPLE BEQUEST LANGUAGE

I give (bequeath) to The Pittsburgh Foundation, a community foundation, the following [description of asset to be transferred]. This bequest shall be known as the [the name selected by donor] Fund. All grants made from this fund shall be recognized as gifts from the [fund name], a component fund of The Pittsburgh Foundation/The Community Foundation of Westmoreland County. Administration of [fund name] shall be subject to all policies and guidelines of The Pittsburgh Foundation/The Community Foundation of Westmoreland County. This Fund may be increased by gifts, bequests or devises of property acceptable to The Pittsburgh Foundation/The Community Foundation of Westmoreland County from the Donor or any other persons. There is a Memorandum of Understanding on file at The Pittsburgh Foundation/The Community Foundation of Westmoreland County, which details the provisions of the [fund name].



IRA

Retirement plans and IRAs can be among the most highly taxed assets in your estate. When factoring income tax on distributions, possible estate taxes and generation-skipping taxes, the total tax bill for your heirs could exceed 70%. Because our foundations are tax-exempt nonprofit organizations, retirement distributions made to us are free of taxes. Consider leaving your loved ones less heavily taxed assets and giving your retirement plan assets to The Pittsburgh Foundation or The Community Foundation of Westmoreland County by starting a fund or adding to your existing fund.

How to make a gift through your IRA and RMD:

1. **List The Pittsburgh Foundation** as the primary beneficiary of your IRA.
   - » This is the simplest way to leave an IRA to The Pittsburgh Foundation or The Community Foundation of Westmoreland County.
2. **If you would prefer** to keep your children or spouse as primary beneficiary, you can list The Pittsburgh Foundation or The Community Foundation of Westmoreland County as a contingent beneficiary or leave a percentage to us.
3. **Give outright from your IRA** during your lifetime and establish a designated fund, scholarship fund, an unrestricted fund or a field of interest fund. A gift from an IRA account cannot be added to a Donor-Advised Fund. If you already have made a planned gift from your IRA, you can still make an outright gift and see your philanthropic dollars at work. This way, you are jump starting your legacy and can witness your philanthropy take shape. For donors age 73 or older, these distributions can count as the donor's Required Minimum Distribution.

NOTE: IRS regulations change often, so we strongly recommend you speak with a trusted tax professional prior to making a gift from your IRA.

CASE STUDY

Mary Bridges is a 70-year-old retired businesswoman, who has 2 children and 5 grandchildren. Mary gives roughly $50,000 annually to charity but wants to ensure her grandchildren and children are supported after her spouse passes. Mary was very successful in her career and accumulated over $3,000,000 in her estate and $1,600,000 in her retirement assets. To spare her children and grandchildren from a hefty inheritance tax, Mary decides to divide her estate between her heirs and leave her IRA for her charitable legacy.

CASE STUDY

Frank Bridges has several traditional IRAs totaling $1.5 million. In April, he celebrated his 73rd birthday. That means that his Required Minimum Distribution from these accounts for the year will be approximately $55,000. Frank doesn't need this additional income and would rather direct these funds towards his dreams of becoming more philanthropic. Currently, Frank supports education charities and food banks. Under the current rules, Frank can instruct his plan administrator to transfer the funds to The Pittsburgh Foundation as a charitable gift to avoid the taxable event that would have been triggered by this additional income. Frank could then establish a field of interest fund at the Foundation to direct his giving to nonprofits providing services in education and food insecurity.

*Examples are for illustrative purposes only.

LIFE INSURANCE

Life insurance provides leverage when gifting it to a foundation, making it possible to gift a significant amount at a relatively small cost. Here are the most common methods for gifting life insurance to a fund:

GIFTING OPTION	TAX BENEFIT
Name The Pittsburgh Foundation or The Community Foundation of Westmoreland County as primary beneficiary or secondary beneficiary. You can designate one of the foundations as the primary beneficiary for a percentage or specific amount through a simple form with your policy holder.	Premiums are not deductible in this case since beneficiaries can be changed.
Donate an existing policy to The Pittsburgh Foundation or The Community Foundation of Westmoreland County. You can name the Foundation as the owner and beneficiary of an existing policy.	If you continue to pay premiums on the policy, each payment is tax deductible as a charitable gift when you itemize.
Purchase a new policy and donate it. You can take out a new policy and irrevocably name the Foundation as the owner and the beneficiary of the insurance contract.	Whether you make one single premium payment for the policy or pay annual premiums, you may deduct the premiums paid if the Foundation is the policy owner and beneficiary.

CASE STUDY

After meeting with her professional tax advisor, Mrs. Bridges purchases a new $250,000 life insurance policy with $200 monthly premiums. She names The Community Foundation of Westmoreland County as the policy owner. As long as she pays the premiums each month, she is entitled to take a $2,400 tax deduction on her annual federal income tax return. Since the owner and beneficiary of the policy is the Foundation, the policy proceeds will not be included in Mrs. Bridges estate, nor will they be subject to probate.

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LIFE INCOME PLANNED GIFT VEHICLES

The following options focus on how to utilize life income financial vehicles to meet your philanthropic goals.

Charitable Gift Annuity (CGA)

- With a charitable gift annuity, you irrevocably transfer a specific sum of cash, appreciated securities or other property to The Pittsburgh Foundation or The Community Foundation of Westmoreland County in return for its promise to pay you, another or both, fixed and guaranteed annual payments for life. The remainder of the annuity is used to support your fund. Your payment will be determined based on your age.

- This is a smart vehicle if you're retired, wish to increase your cash flow, seek the security of guaranteed payments and want to save taxes.

- If you fund your gift annuity with cash or appreciated property, you qualify for a federal income tax deduction if you itemize. In addition, you can minimize capital gains taxes when you fund your gift with appreciated property.

- You can also fund your gift using your IRA assets. If you are 70½ or older, you can make a one-time election of up to $54,000 to fund a gift annuity. While your gift does not qualify for an income tax deduction, it does avoid income tax liability on the transfer and count toward all or part of your Required Minimum Distribution.

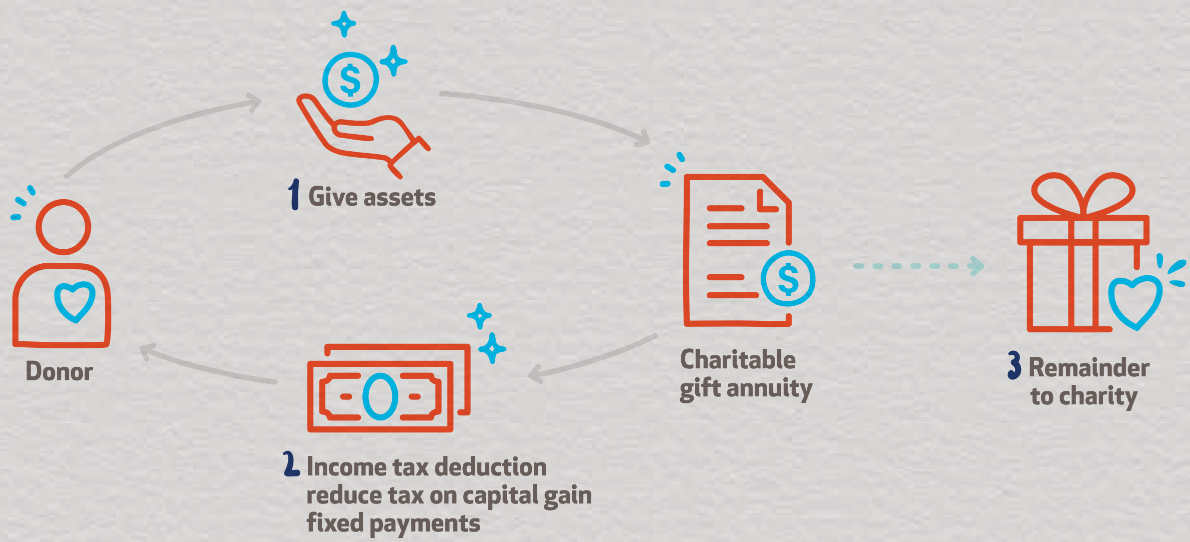
CASE STUDY

Mr. Steel is a 78-year-old retired businessman and has a $50,000 certificate of deposit that is coming up for renewal, but the reinvestment rate of return is only 4.5%. He decides to establish a $50,000 charitable gift annuity with The Pittsburgh Foundation.

The Pittsburgh Foundation will pay him 7.2%, or $3,600, annually for the rest of his life. He is entitled to an immediate income tax charitable deduction of $22,504 and approximately 72% of each annuity payment is tax-free for the next 10.5 years. Once Mr. Steel passes, the proceeds of the annuity will be used to create a fund in honor of his late wife.

How a Charitable Gift Annuity Works:

1. You transfer cash, securities or other property to charity.
2. You receive an income tax deduction. If you give appreciated assets, you may save capital gains tax.
   Charity pays a fixed amount each year to you or to anyone you name for life. Typically, a portion of these payments is tax-free.
3. When the gift annuity ends, its remaining principal passes to charity.



*Examples are for illustrative purposes only.

Charitable Remainder Trust

- A charitable remainder trust is a specifically designed trust that provides a payment stream to you or another beneficiary for a fixed term up to 20 years or life, after which the trust terminates and the trust assets are distributed to one or more charitable organizations.
- A charitable remainder trust must be in writing and is irrevocable. You may be the trustee; or may appoint an independent trustee. Creating a charitable remainder trust could provide you with an income tax deduction.
- Donors must work with their legal advisor or attorney to establish a Charitable Remainder Trust.

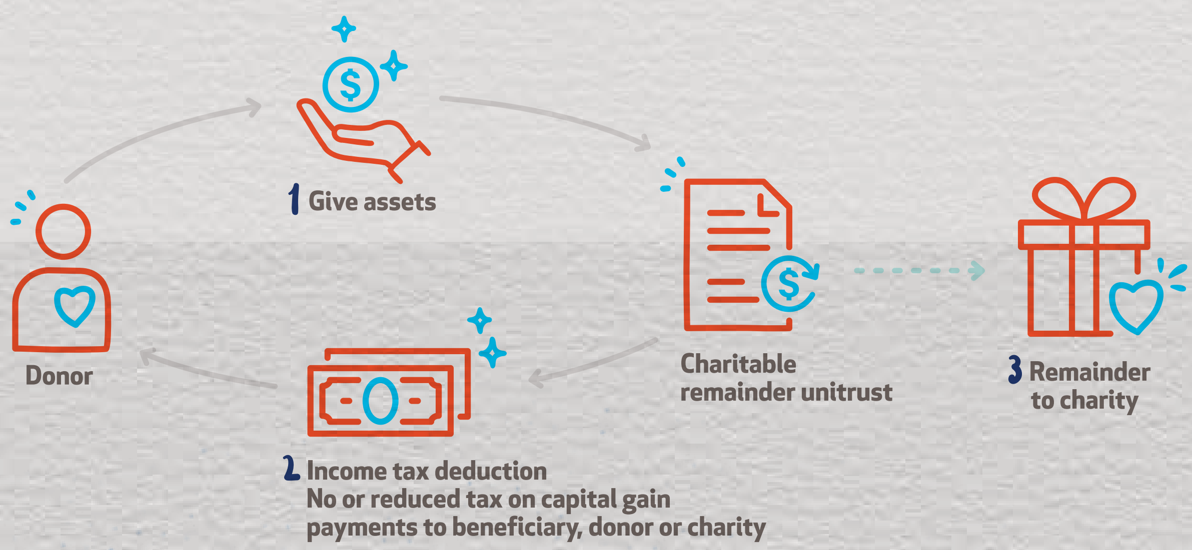
CASE STUDY

Mrs. Smith, age 70, establishes a $200,000 charitable remainder trust with a payout rate of 5% as revalued each year with the payments going to her for the rest of her life. In the first year, if the trust appreciates to $205,000, she will receive $10,250. Conversely, if the trust's value declines to $195,000, her income will be $9,750.

Mrs. Smith has directed that, upon her passing, the remaining principal fund is designated to the local food bank, a woman's shelter, and her alma mater. In addition, Mrs. Smith would receive a significant income tax deduction of $105,100 in the year that the trust was established.

How a Charitable Remainder Trust Works:

1. You transfer cash, securities or other property to charity.
2. You receive an income tax deduction. If you give appreciated assets, you may save capital gains tax. During its term, the trust pays a percentage of its value each year to you or to anyone you name.
3. When the trust ends, its remaining principal passes to charity.



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Charitable Lead Trust

- Through a charitable lead trust, you can make significant charitable gifts now while providing for the eventual transfer of substantial assets to individual beneficiaries. You and your legal or financial advisor select assets to fund a lead trust: the charity receives a fixed annual payout from the trust, and the remainder goes to your beneficiaries at the end of the charity's payout term. These funds may be distributed to charities you specify or added to a donor-advised fund, designated fund, a field of interest fund or the Foundation's community fund.

- Charitable lead trusts are attractive during times of low interest rates. They hold further appeal if you want to reduce taxes associated with passing assets to heirs or if you're looking to delay the receipt of an inheritance.

- A charitable lead trust is one of the best ways to help our community while reducing your taxable income or planning a deferred transfer of assets to children or grandchildren.

How a Charitable Lead Trust Works:

1. You transfer cash, securities or other property to charity.
2. During its term, the trust pays a fixed percentage of its value each year to charity.
3. When the trust ends, its remaining principal passes to your family or other heirs you name. Trust growth passes to them free of gift and estate tax.

*Examples are for illustrative purposes only.

READY TO START BUILDING YOUR LEGACY?

- Contact our development team at **development@pghfdn.org** or 412-391-5122 to continue the conversation and receive additional information on these planned giving vehicles.
  - » We will work with you to create a Memorandum of Understanding (MOU) to capture where you want your assets directed and the impact you want to leave in the community. In most cases, the MOU is revocable and can be amended at any time during your lifetime without cost.
- Seek the advice of your financial or legal advisor. We often collaborate with donors' most trusted advisors to come up with a plan that is best for you.
- If you include us in your plans, please use our legal name and federal tax ID (**choose one**):
  - » **The Pittsburgh Foundation** (Legal Name)
    Address: 912 Fort Duquesne Blvd., Floor 10
    Pittsburgh, PA 15222
    Federal Tax ID Number: 25-0965466
  - » **The Community Foundation of Westmoreland County** (Legal Name)
    Address: 41 W Otterman St # 520
    Greensburg, PA 15601
    Federal Tax ID Number: 25-1776105