Charitable Options Decision Tree

Does Donor want or need something back from gift while they are alive?

- **Yes** → Is the gift cash or appreciated property?
  - **Cash** → Gift Annuity[1] → Donor makes gift and charity pays back to Donor an annuity for donor's life or term of years.
  - **Appreciated Property** → Charitable Remainder Trust[1] → Donor creates Irrevocable Trust and Trust sells property without incurring a capital gain tax Donor must receive at least a 5% annual unitrust or annuity payment to donor. At Donor's death, trust is distributed to charity.
- **No** → Does Donor want to gift to only one beneficiary without regard to controlling the asset?
  - **Yes** → Does the donor have a desire for the gift to be a perpetual fund (i.e. principal preserved and earnings benefit charity).
    - **Yes** →
      - **Option #1**
        Set up perpetual fund directly with charity with specific criteria as to recipients.
      - **Option #2**
        Set up perpetual fund with donor advised fund (e.g., San Antonio Area Foundation or Brokerage fund) identifying charity with specific criteria as to recipients.
    - **No** → Simply make gift directly to charity
  - **No** → Does the Donor want to continue to invest the donated assets and have a willingness to maintain the structure?
    - **Yes** → Donor creates private foundation (minimum of $1,000,000 contribution to justify organization expense and annual maintenance).
      - Advantages:
        More donor control
        - Distributions
        - Investments

        Broader Grant Making
        Family Stewardship Opportunity
      - Disadvantages:
        More expense and administration
        Stricter AGI limits on charitable deductions[4].
    - **No** → Donor sets up donor advised fund (e.g., San Antonio Area Foundation or Brokerage fund).
      - Advantages:
        Economical to set up and low maintenance.

        Greater AGI limits on charitable deductions[4]
      - Disadvantages:
        Less Donor Control
        - Distributions
        - Investments

        Narrows Grant making

Divide the Assets between Family and Charity?

Would the Donor prefer to benefit charity first and family later?

Charitable Lead Planning

Donor creates a Charitable Lead Unitrust or Annuity [2] Trust (CLUT or CLAT[1] - charity benefits on front end)

Example: Donor creates a trust during life or at death that will pay charity 6% for 20 years at which time the trust asset will benefit children (or grandchildren if CLUT[3]).

Would the Donor prefer to benefit family first and charity later?

Charitable Remainder Planning

Donor creates a Charitable Remainder Unitrust or Annuity Trust (CRUT or CRAT[1] - charity benefits on back end)

Example: Donor creates a trust at death that pays a minimum of 5% to child (or grandchild if CRUT[3]) for their life (or term of years) and at child's death (or end of term) trust benefits charity.

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1. Since these are split interest gifts (i.e., a non-charitable interest is involved), the deductible portion of the donation will be reduced for the noncharitable component.
2. An annuity trust is calculated by taking the % annual payout of the initial contribution to the trust and that is the annual annuity payment. It is constant. A unitrust payment is calculated by multiplying the value of the trust January 1 each year by the % annual payout. It fluctuates annually.
3. Due to generation-skipping laws, it is not advisable to benefit grandchildren with a CLAT or CRAT (annuity trusts), but you can do so with a CLUT or CRUT (unitrust).
4. Depending on the type of asset contributed, a donor advised fund charitable contribution would be limited to 30% to 50% of donor's AGI while a contribution to a private foundation would be limited to 20% to 30% of donor's AGI.

Caveat: This diagram is a broad tool and is not intended as exhaustive discussion of any of the illustrated techniques. A thorough analysis with a professional should be done before choosing a particular option.

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