

Charitable Giving

SUPPORT A WORTHY CAUSE WHILE LOWERING YOUR TAX BILL — A WIN-WIN SITUATION

Charitable giving is a powerful financial tool. It provides double satisfaction — by helping a worthy cause, and possibly lowering your tax bill. Perhaps you want to support your favorite charity, create a new program to address a specific concern in your community, or capitalize on the business advantages and social connections often associated with philanthropic endeavors.

Whatever your personal goals, charitable giving can help you achieve them. In fact, charitable giving strategies often provide solutions unavailable through traditional estate planning techniques.

There are many different methods of charitable giving, each with a specific set of benefits. Some of the most common include the donor's ability to:

- Transform an illiquid asset into an important source of future income
- Restructure a non-diversified portfolio without incurring an immediate capital gain
- Help avoid current capital gains tax on the sale of a business
- Take an immediate tax deduction on a future gift

CHARITABLE GIVING VEHICLES

There are a number of tools and strategies, each with its own advantages and limitations, that can be used for effective philanthropy, including:

- *Charitable Trusts* — are irrevocable trusts established to receive gifts of cash or other property on behalf of a qualified charitable organization. Charitable Remainder Trust (CRT) allows the donor, and/or other family members, to receive a lifetime

income from the trust, or for a term not to exceed 20 years. Upon the death of the income beneficiaries, the trust is dissolved and the charity receives the remaining assets. Benefits of CRTs include the ability to help avoid capital gains tax on the sale of assets within the trust and a potential tax deduction when the trust is created.

The opposite of a CRT, a Charitable Lead Trust (CLT), provides an income to charity over a specified period (either the lifetime of one or more people, or over a set number of years). At the end of the period, the trust is dissolved and the remaining assets are distributed back to the donor or other named beneficiaries. A CLT may enable the donor to transfer property to family members at a fraction of the fair market value.

- *Family Foundations* — enable a donor to establish their own “private or family” charitable organization to express the charitable wishes of the family in perpetuity. There are two types of family foundations. Private Foundations are subject to a number of limitations and regulations. Supporting Organizations have substantial benefits, including the ability to qualify for maximum charitable deduction.
- *Life Insurance* — enables a donor to make a significant lifetime gift to charity for a relatively small, tax-deductible annual contribution. Existing or new policies may be donated, subject to state law. Gifts of life insurance provide many benefits to the receiving charity, including minimal administration requirements, no delays in settlement, and the ability to access the policy cash values during the donor's lifetime.



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Charitable Giving, continued

■ *Remainder Interest in a Residence* — arrangements enable a donor to transfer title of property to a charity, while continuing to occupy and enjoy the property for either the life of the tenants or a specified period of time.

■ *Charitable Gift Annuities* — do not require a separate trust. Donations are made directly to a charity that then promises to pay an annuity to the donor. The donor is able to take an immediate tax deduction on the net donation amount (the total donation less the value of the annuity).

■ *Donor Advised Funds*¹ — may be used by clients who intend to give to charities and who want to maximize their current income tax deductions in the process. The benefits are similar to those of a private foundation, without all of the paperwork and start-up costs. Contributions are invested in a choice of investment pools recommended by the donor.

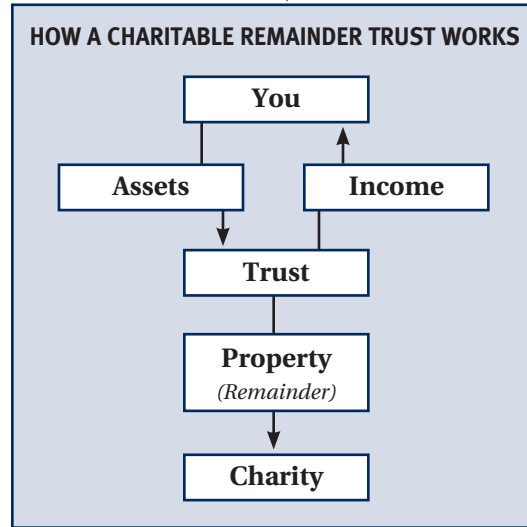
■ *Pooled Income Funds (PIFs)* — provide some of the same benefits as a CRT, but use a simpler contract and require a smaller financial commitment. PIFs are managed by the charity and contributions grow tax-free under professional asset management. PIFs allow beneficiaries to receive a variable income stream for life, and at death, the remaining interest passes to the charity. With some community foundations, the remaining interest may pass to a Donor Advised Fund.

WHERE DO YOU BEGIN?

Begin developing a charitable estate plan by deciding if charitable giving makes sense for you. Things to consider are your age, net worth, future

income needs, and financial goals. Your RBC Wealth Management® Financial Advisor uses sophisticated tools and professional resources to develop a highly personal, integrated analysis that can help you reach your goals.

Contact your Financial Advisor today to discuss the benefits of charitable giving.



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