What’s the Smartest Asset for You to Give to Charity?

Are you making your gifts in the smartest ways possible? Giving from your wealth rather than your income — that is, sometimes funding your gifts with assets other than cash — ensures you tax benefits and the ability to give more than you ever thought possible. Consider the couples below who chose various common assets for their philanthropy.

Steve and Barbara Give Stock and Get a Double Tax Benefit

Steve and Barbara want to contribute $50,000 to accelerate medical research at Rush. Without that amount of cash on hand, they have considered selling their boat to help fund the gift with cash. Or they could contribute stock valued at $50,000, which they purchased a number of years ago for $10,000. Should Steve and Barbara contribute cash or the stock? From Rush’s standpoint, it will make no difference; however, Steve and Barbara will realize greater tax savings if they give the stock. That is because they realize a double tax benefit with the stock gift — a charitable deduction for fair market value plus avoidance of the tax on the gain they would have realized upon the sale of the stock.

<table>
<thead>
<tr>
<th>Gift of cash</th>
<th>Gift of stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax charitable deduction</td>
<td>$50,000</td>
</tr>
<tr>
<td>Tax savings (assuming a 35% tax rate)</td>
<td>17,500</td>
</tr>
<tr>
<td>Avoided tax on capital gain (18.8%* x $40,000)</td>
<td>7,520</td>
</tr>
<tr>
<td>Total tax savings</td>
<td>$25,020</td>
</tr>
</tbody>
</table>

*The capital gain tax rate is assumed to be 18.8%, which is 15% plus the 3.8% Affordable Care Act surtax.
Rachel and David Give From IRA and Lower Their Taxes

Rachel is 69, and David is 74. Both of them retired two years ago. David has an IRA, and this year he will be required to take a $40,000 distribution. Rachel’s employer retirement funds remain in a 403(b) plan. Both have invested well and do not expect to need all of their retirement funds for living expenses. This year they would like to make special gifts of $20,000 to Rush and to another charity. Excluding these gifts, they expect their itemized deductions this year to be about $16,000. They could use almost all of the cash they have in savings accounts to make the two gifts, or they could use the IRA distribution for a cash gift. In either case, their total deductions would be $56,000, and they would, of course, itemize on their federal tax return. Should they proceed with the cash gift, or is there a better alternative?

Instead of contributing cash, David could authorize his IRA administrator to transfer $20,000 from his IRA to Rush and to the other charity. This IRA rollover will satisfy his required distribution for the year, and the $40,000 will not be included in his taxable income — as it would have been if he had taken the mandatory withdrawal from the IRA. Removing the IRA distribution from income is equivalent to a deduction. Because they are both over the age of 65, Rachel and David can claim a standard deduction of $27,000, and they will have the equivalent of a $67,000 total deduction — $11,000 more than by giving cash and itemizing the charitable gifts.

Ted and Alice Stick With Cash for Their Charitable Gifts

Ted and Alice contribute between $8,000 and $10,000 each year, spread among 25 charities, including Rush. Their gifts to these charities vary from $100 to $1,000. They do most of their giving in the month of December. In some cases they send checks to the charities, but in others they give online. Should Ted and Alice continue to make their charitable gifts with cash? Probably yes because cash is the most practical asset for modest-sized gifts.

To learn more about gifts of noncash assets, please return the reply card requesting your complimentary copy of our follow-up guide.
Which Assets Make Up the Greatest Share of Family Wealth?

The answer depends on net worth, as the following chart demonstrates. But it is estimated that on average cash constitutes only about 3% of family wealth. Thus, if charitable gifts were made solely with cash, 97% of total wealth would be unavailable for charitable gift purposes during a donor’s lifetime.

<table>
<thead>
<tr>
<th>Net Worth</th>
<th>Top Three Assets</th>
<th>Percentage of Total Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>primary residence</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td>retirement funds</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>vehicles</td>
<td>8%</td>
</tr>
<tr>
<td>$1 million</td>
<td>primary residence</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>retirement funds</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>life insurance</td>
<td>8%</td>
</tr>
<tr>
<td>$10 million</td>
<td>business interests</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>securities (equities and fixed income)</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>real estate</td>
<td>10%</td>
</tr>
<tr>
<td>$100 million</td>
<td>business interests</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>securities (equities and fixed income)</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>managed trusts and accounts</td>
<td>7%</td>
</tr>
</tbody>
</table>

These are averages, so the composition of wealth by families will vary considerably. But it is interesting to note that in all categories of net worth, cash constitutes a small percentage of wealth; and the larger the net worth, the smaller the percentage of wealth is in cash. (Cash includes not only checking and savings accounts but also money market funds and certain other items that are low-risk and liquid.)
Three Ways to Give Noncash Assets

Basically, there are three ways for you to give any asset:

1. The first way is to transfer to the charity your entire interest in the property. This is known as an outright gift. The charity can either use the object or sell it and use the proceeds as directed by you, the donor. The benefits to you are, in most instances, a charitable deduction for market value and the satisfaction of seeing what the gift is accomplishing. All of the types of noncash assets mentioned in this newsletter can be given outright.

2. The second way is to transfer the property irrevocably but retain an economic interest in it. That interest might be in the form of income derived from the property or the right to continue using the property. An example of the latter is transferring title to your personal residence but retaining the right to continue occupying it. Examples of the former are a gift annuity, a charitable remainder annuity trust and a charitable remainder unitrust. Generally, liquid assets — such as publicly traded securities, including ETFs — are the most appropriate for a gift annuity and an annuity trust. A much greater variety of noncash assets — such as real estate, business interests and tangible property — could be contributed to a unitrust. A unitrust pays you a set percentage of trust assets, and the payments from it can be limited to actual net income.

3. The third way to give noncash assets is to retain ownership during life and make an end-of-life gift via a bequest or beneficiary designation. All of the assets mentioned in the newsletter can be given by bequest, though the most common way to give life insurance proceeds or retirement funds is for you to name the charity as beneficiary.

You will find examples of these various ways to give noncash assets in the complimentary guide.
Tax-Free IRA Rollover

Direct gifts to Rush from your IRA can:
1. Be an easy and convenient way to make a gift from one of your major assets.
2. Be excluded from your gross income: a **tax-free rollover**.
3. Count toward your required minimum distribution.

For your gift to qualify:
- You must be 70½ or older at the time of your gift.
- The transfer must go directly from your IRA to Rush.
- Your total IRA gift(s) cannot exceed $100,000.
- Your gift must be outright.
Please send me a complimentary copy of your new guide, *Is Cash the Smartest Asset to Give? 9 Other Assets That Can Save You Taxes*.

I/We would like more information about the following types of gifts:

- Will or living trust provisions
- Gift annuities
- Charitable trusts
- IRA, donor advised fund or life insurance beneficiary designations

I/We would like to join the Rush Heritage Society. I/We have already included Rush in my/our estate plan(s):

- Through a will or living trust
- Charitable trust
- As a designated beneficiary of my IRA, other qualified retirement plan, life insurance policy or donor advised fund.
  Please specify ________________.

Please print. This information is strictly confidential.

NAME

PHONE

EMAIL

ADDRESS

CITY       STATE       ZIP

(Please fold and tape closed before mailing.)
Donor Spotlight: Patricia Erickson

As an active world traveler, Patricia Erickson doesn’t let anything stand in the way of her life passions. Even when she needed a knee replacement, Erickson sought out the right care team at Rush who provided her with a personalized treatment plan that quickly got her back to cycling, sailing, skiing and all her favorite pastimes. “The doctors at Rush changed my life,” said Erickson. “I established a charitable gift annuity to support their leading-edge treatments so future generations can have a greater quality of life and stay active in all the things they love to do.”

Rush Heritage Society

The Rush Heritage Society recognizes donors who have remembered Rush in their estate plans. They share a common vision and a strong bond of philanthropy that will ensure continued excellence at Rush for generations to come. Please let us know if you have made provisions for Rush through a gift in your will or trust, life insurance or retirement plan beneficiary designation. To learn more, contact Susan Sasvari, senior director of gift planning, at susan_sasvari@rush.edu or (312) 942-3691.
Request Our Complimentary Guide:

Is Cash the Smartest Asset to Give?
9 Other Assets That Can Save You Taxes

The guide describes how gifts of publicly traded securities, retirement funds, and other less-common assets can help you:

- Obtain tax benefits.
- Reduce the net cost of your gift.
- Receive income from your gift.
- Ensure that your loved ones benefit.

To request our complimentary guide, simply return the attached reply card or visit rush.giftplans.org/assets.