

Feel Good by Doing Good

Recent Tax Changes Have Made it Easier to be Philanthropic

By Warner S. Fletcher, Esq.

As a community-based legal practice, we recognize the benefits that our community receives, directly and indirectly, from the abundance of non-profit organizations providing services and programs throughout our region. For many of us, this is our community of choice, because of the varied cultural organizations, the high quality medical facilities and the private school systems that provide greater opportunities and make life here more meaningful and productive. In addition, non-profit organizations serve in their own right as economic engines which provide employment and draw people to our community. As all these various organizations flourish, so too do the lives of all of us living here.

There is a price to pay, however, for these benefits that we all enjoy. To do their work well, funds are needed over and above the fees collected and government supports received. They need our collective help and our financial support in order to continue to provide quality services to our community. As a beneficiary of these services, I urge you to consider sharing some of your time, talent and, yes, treasure with these organizations. It is precisely this private element of charitable support which keeps these organizations alive and well.

The federal tax code has long provided incentives for charitable giving through itemized tax deductions. For those who do not itemize and those who are unable to contribute financially, there are still ways in which you can participate in supporting our non-profit organizations. First, give your “time” and “talent” to organizations that do good work and have programming in areas that are of particular interest to you. Secondly, consider sharing some of your “treasure” through your estate plan. Even more so than in the income tax arena, recent changes to the federal and Massachusetts estate tax laws have dramatically decreased the amount of estate taxes payable and thus have raised the amount of funds available after taxes for your family or other loved ones. Why not consider sharing some of this additional capacity with the charities that have helped you, your family and your community?

For example, you may consider endowing, in whole or in part, an annual gift to an organization of your choice through a gift from your estate. A bequest of \$20,000 to an organization's permanent endowment which earns a 5% return provides about \$1,000 per year forever. Your gift can be a specific dollar amount or a percentage of your estate's assets. You may also make a charitable gift of whatever remains in your estate after specific bequests are left to loved ones - known as a residual bequest. It is also possible to name a charity as the beneficiary of a pension plan, IRA or life insurance policy. You might also consider making a gift of non-cash assets such as real estate, appreciated securities or other tangible personal property. In a taxable estate situation, removing items such as these from your estate can yield substantial estate tax savings.

The variety of organizations needing support is also great, from social service organizations to cultural, to medical and educational institutions. If you are interested primarily in social service needs and you do not have a particular charity in mind, you may consider supporting umbrella-type organizations such as the United Way or the Greater Worcester Community Foundation, both of which support the work of the broadest range of non-profits.

The possibilities for making a positive impact in your community as well as for your family and friends are endless. You have the chance to truly enjoy the best of both worlds: to feel good about leaving more to your friends and family through savings in estate taxes, while at the same time supporting those charities which have made a difference in your life and your community. You may also find that the real and sometimes unexpected benefit in implementing such thoughtful planning is the good feeling you will experience when you reflect upon the impact that your good deeds will have on your community.

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