Fletcher Tilton PC
Attorneys at law

RESPONSIVE SOLUTIONS

Maximize Your Donation's Impact: Proper Planning Can Minimize Your Exposure to Income and Estate Taxes

By David C. Guarino, Esq.

The primary purpose of a charitable gift is to assist a charitable organization in carrying out its mission and reaching its goals. There can be great satisfaction in making such a gift, and most charities will graciously accept even the most modest donations. The purpose of this article is to alert you to some of the issues to consider when planning such donations to those charities you consider worthwhile.

If you are charitably inclined, you should consider making your donations in the most tax-effective manner possible. There are techniques for making gifts that will maximize the income tax deductions for gifts you make during your lifetime, and also minimize the exposure of your estate to estate taxes on gifts you leave to charity at your death.

Making gifts can be as simple as writing a check to your favorite service agency, or contributing a work of art to your favorite museum. The income tax consequences of such gifts are generally straightforward, allowing you to take an income tax deduction equal to the value of the gift. But there are limits on the amount of income that you can offset by taking deductions for your charitable donations, and the determination of the proper deduction can be further complicated when the property you donate has appreciated since you acquired it — donated stock being a prime example. Moreover, there are also some special tax incentives for creating certain conservation restrictions on your land, and for transferring property directly from your IRA to charity. Proper income tax planning can help you to maximize your donation to charity by maximizing your income tax savings on the donations.

Lifetime gifts can also be made through more complicated vehicles such as charitable trusts and donor-advised funds. Charitable trusts in particular are popular because they can be structured to benefit your favorite charities and your family in succession, so they can be used to strike a balance between what would otherwise often be competing interests in your estate plan. Lifetime gifts, if properly structured, can have income tax benefits for you and can also be useful in managing your exposure to estate taxes. Similarly, gifts that you make at death, such as direct bequests to charity through your will or trust, can help minimize your estate tax exposure.

You should also be aware of some of the more sophisticated techniques that are available to provide for your favorite charities. These techniques may include creating your own foundation to hold some or all of your estate for the same charitable purposes that you support during your lifetime, and can provide for your family members to participate in the control and administration of the foundation. It is essential that such charitable planning be integrated into the rest of your estate plan to ensure that it provides for the disposition that you desire.

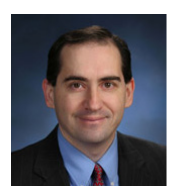
In summary, if you are inclined to make charitable donations, you should consider the income and estate tax issues that are inherent in proper charitable planning. By doing so, you can maximize the amounts you can give to charity by minimizing the cost to you for doing so.

RESPONSIVE SOLUTIONS

Two simple words that explain our commitment to you. Being responsive is a critical element in building a strong attorney-client relationship. Whether you are a new or existing client, we'll be quick to respond to your needs with the knowledge necessary to find solutions to your legal concerns.

www.fletchertilton.com

David C. Guarino
P: 508.459.8208
F: 508.459.8408
E: dguarino@fletchertilton.com



THE GUARANTY BUILDING
370 Main Street, 12th Floor
Worcester, MA 01608
TEL 508.459.8000 FAX 508.459.8300

THE MEADOWS
161 Worcester Road, Suite 501
Framingham, MA 01701
TEL 508.532.3500 FAX 508.532.3100

CAPE COD
1579 Falmouth Road, Suite 3
Centerville, MA 02632
TEL 508.815.2500 FAX 508.459.8300