



National Christian  
FOUNDATION®

EXPERTISE + INNOVATION

# 2019 Tax-Smart Giving Strategies



# Tax-Smart Giving Strategies

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With 30 local teams across the country, decades of leadership and innovation, and more than \$10 billion in giver-recommended grants to 63,000 charities, NCF is comprised of some of the brightest, most passionate experts in charitable giving today. We work with individuals and families to help them save taxes, reduce paperwork and hassles, and send more to charity than they ever thought possible.



# 1 Use a Donor-Advised Fund

**A** Giving Fund at NCF (also known as a donor-advised fund) works like a charitable checking account, but instead of depositing money and writing checks, you contribute all types of assets (cash, stocks, non-cash assets), receive an income tax deduction at the time of the donation, and then go online to recommend grants to your favorite charities.



## POWERFUL BENEFITS, LIKE-MINDED VALUES

- Simple – Reduce paperwork, receipts, and administration
- Efficient – Send less to taxes and more to charity
- Convenient – Manage all your giving online from any device
- Christian – Enjoy service from a like-minded NCF team
- Reliable – Our team ensures grants meet IRS standards
- Fun – Recapture the joy of giving with your entire family



All your giving,  
online, anywhere

## 2 Tax-Smart Strategies for Non-Itemizers

With the passage of the Tax Cuts and Jobs Act on December 22, 2017, it is estimated that as many as 90% of taxpayers may not itemize their deductions, and instead will use the dramatically increased standard deduction. However, with wise planning, many of these families can nonetheless capture some level of tax benefit with the following strategies.

### Bunching charitable contributions

- Instead of giving \$20,000 per year, give \$40,000 every other year
- Give to same charity(ies)
- “Reload” donor-advised funds (DAFs)
- Use a donor-advised fund (DAF) to capture an immediate charitable deduction, and then grant distributions to charities over time

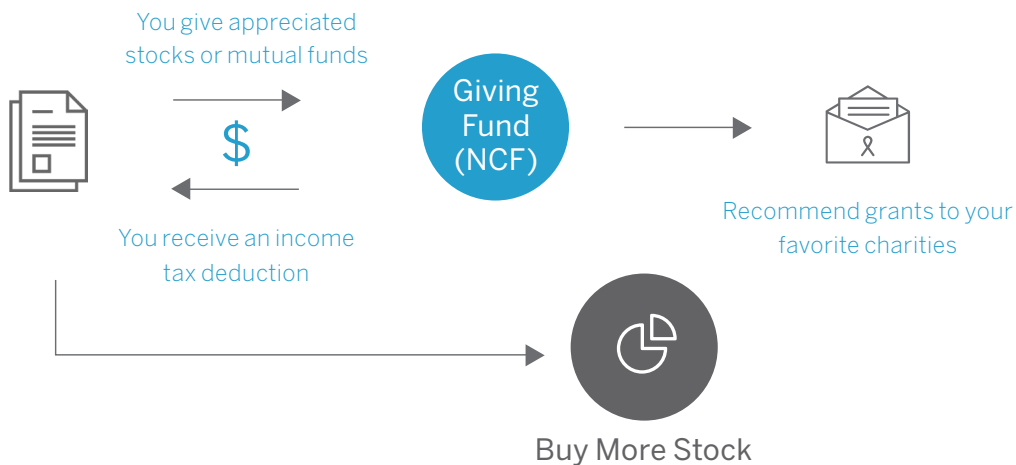
### Make Qualified Charitable Distributions (QCDs) from IRAs

- Charitable IRA Rollover
- Make Qualified Charitable Distributions (QCDs) directly to charity
- Limitations:
  - Must be 70 ½ or older
  - Limited to \$100,000 per year
  - Can only be made to a public charity (no DAFs, CRTs, or CGAs)
- Distributions to a single-charity fund with a donor-advised fund sponsor qualify as a QCD



### 3 Giving Publicly Traded Stock

If you are currently writing checks to charities, but also have appreciated stocks or mutual funds in a taxable investment portfolio, you likely have a significant opportunity to pay less tax, give more, improve your personal cash flow, and simplify your giving. The key is to donate these before the sale to reduce or eliminate taxes.



#### TRADITIONAL GIVING USING CHECKS

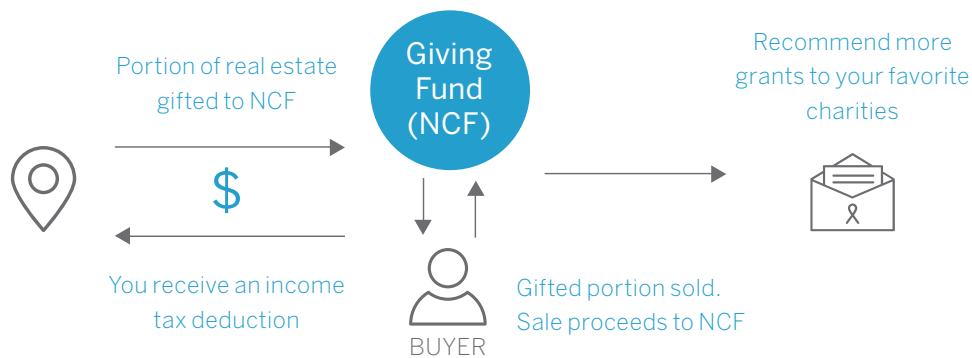
1. Start with \$10,000 in cash
2. Write checks to charities for \$10,000
3. Receive a \$10,000 charitable deduction
4. Keep track of every tax receipt manually
5. Continue to pay capital gains tax in your portfolio (now or later)

#### MORE GIVING USING STOCK

1. Donate \$10,000 of stock into your Giving Fund
2. Receive a \$10,000 charitable deduction
3. Shares are sold by NCF tax-free, with proceeds placed in your Giving Fund
4. Re-fund your portfolio using \$10,000 cash (reset basis!)
5. Use tax savings to give more!

## 4 Giving Real Estate Before a Sale

**N**CF allows you to give interests in appreciated real estate (raw land, residential, and/or commercial real estate) to NCF prior to sale. This strategy avoids capital gains taxes on the gifted portion, and you will likely receive an income tax deduction for the appraised value of the gift, freeing up additional cash flow for more giving.



### THE BENEFITS OF GIVING BEFORE THE SALE

- Maximize your liquidity event by preserving the full fair market value of the gifted asset for charitable impact
- Avoid or reduce capital gains taxes on the gifted portion, moving more dollars to charity
- Maximize your sale by leveraging the deductions reserved for non-cash assets (up to 30% of AGI)
- Reduce current-year income taxes via a larger charitable deduction, increasing cash flow

### THE RESULTS OF GIVING BEFORE THE SALE

This table shows the impact of giving a \$1,000,000 piece of land with a \$100,000 cost basis and no debt.

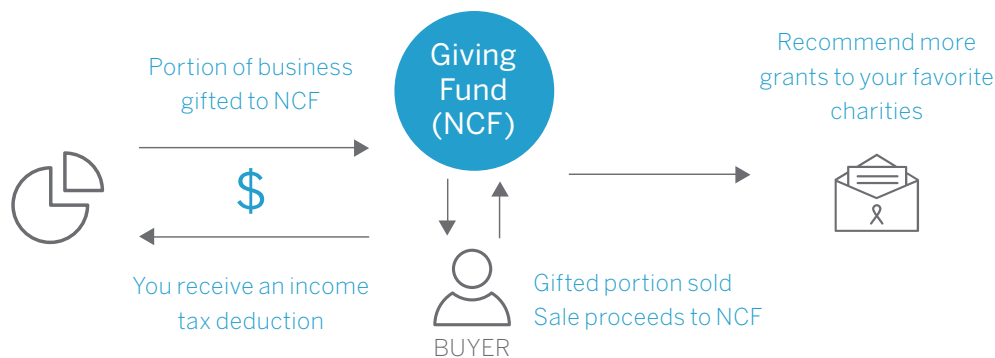
	Family	Taxes	Charity
<b>Sell now, give cash later</b>	\$311,136	(\$51,936)	\$740,800
<b>Give property before the sale</b>	\$420,000	(\$420,000)	\$1,000,000
<b>Difference</b>	\$108,864	\$368,064	\$259,200

As a result of giving assets vs. giving cash, **\$259,200 MORE** would go to your favorite charities and **\$368,064 less** in taxes!



## 5 Giving Privately Held Stock Before a Company Sale

Donate a non-voting interest in your business to your Giving Fund at NCF before the sale, receive a substantial tax deduction, reduce or eliminate capital gains taxes on the gifted interest, and convert those tax dollars into more giving to your favorite charities.



### THE BENEFITS OF GIVING BEFORE THE SALE

- Maximize your liquidity event by preserving the full fair market value of the gifted asset for charitable impact
- Avoid or reduce capital gains taxes on the gifted portion, moving more dollars to charity
- Maximize your sale by leveraging the deductions reserved for non-cash assets (up to 30% of AGI)
- Reduce current-year income taxes via a larger charitable deduction, increasing cash flow

### THE RESULTS OF GIVING BEFORE THE SALE

This table shows the impact of giving a 20% non-voting interest in a \$5M C-corp (with a \$100,000 cost basis) prior to the sale.

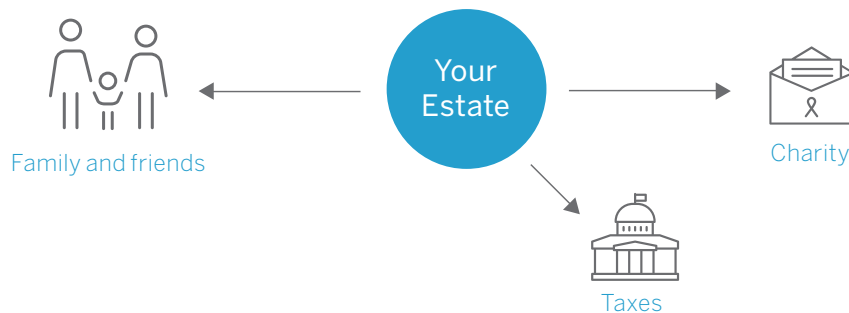
	Family	Taxes	Charity
<b>Sell then, give cash</b>	\$3,172,499	\$1,109,741	\$717,760
<b>Give stock then sell</b>	\$3,291,040	\$708,960	\$1,000,000
<b>Difference</b>	\$118,541	\$400,781	\$282,240

As a result of giving assets vs. cash, **\$282,240** more would go to charity while increasing net cash flow by **\$118,541** for more giving, saving, or investing!



## 6 Zero Estate Tax Planning

Upon death, there are only three places assets can pass: family/friends, charity, or the government. For families with exposure to the federal estate tax, wise and thoughtful planning can completely eliminate the estate tax liability and enable them to redirect those taxes for charitable impact.



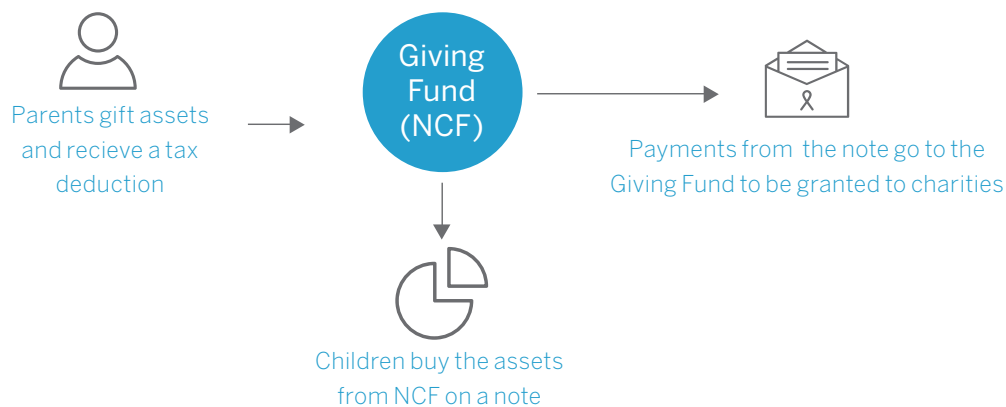
### CONSIDERATIONS FOR ELIMINATING ESTATE TAXES

1. Quantify desired lifestyle for matriarch and patriarch: How much do the matriarch and patriarch need to support their lifestyle for the remainder of their lifetime? What is their financial finish line?
2. Determine and quantify an appropriate inheritance for children and grandchildren: What amount of inheritance is more likely to be a blessing than a curse?
3. Secure the target inheritance with appropriate gift and estate planning strategies and techniques: Often, basic estate planning strategies are sufficient to secure an appropriate inheritance and avoid estate tax.
4. Gift or bequest “excess wealth” to charity and eliminate estate tax completely: Minimize annual income taxes by maximizing lifetime charitable gifts.



## 7 Creatively Pass Your Business to Your Kids

Rather than creating a wealth-transfer strategy for the family business, gift the business to your Giving Fund at NCF. Children working in the business can request to purchase the business from NCF, and the proceeds are available for you to grant to your favorite charities.

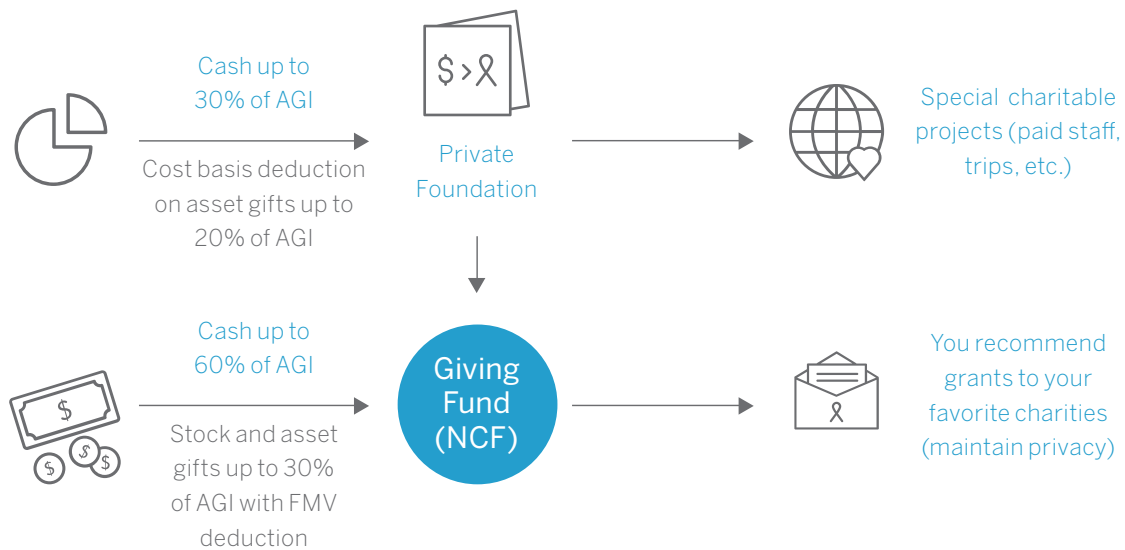


### BENEFITS OF GIVING YOUR BUSINESS AWAY

- Create a charitable deduction with the business interest, rather than directly transferring it to kids or employees in a taxable sale or buyout
- The children can buy the business back from NCF and the proceeds go to the charities you love through your Giving Fund at NCF
- Maximize the liquidity event by preserving the fair market value of the gifted asset for charitable impact
- Avoid or reduce capital gains taxes on the gifted portion, moving more dollars to charity
- Use charitable deductions reserved for non-cash assets (up to 30% of AGI useable against income for six years total, including the year of the gift)
- Reduce current-year income taxes via a larger charitable deduction, increasing cash flow

## 8 Use a Donor-Advised Fund With Your Private Family Foundation

We can provide greater tax savings, easier administration, and a variety of ways to make your giving more flexible, efficient, and enjoyable.



### BENEFITS

- Significant tax advantages for non-cash assets
- Protect giving from public disclosure and solicitation
- Lower costs and easier administration
- Greater control over your legacy and liability
- Maintain your ability to fund special projects
- Use a Giving Fund to encourage generosity with the next generation



## 9 Compare Tools for Each Charitable Vehicle

	DONOR-ADVISED FUND	SUPPORTING ORGANIZATION	PRIVATE FOUNDATION
<b>TAX DEDUCTIONS</b>	<b>MOST</b>	<b>MOST</b>	<b>LEAST</b>
What's my deduction for cash gifts?	Up to 60% adjusted gross income	Up to 60% adjusted gross income	Up to 30% adjusted gross income
For publicly traded securities (held long-term)?	Up to 30% adjusted gross income	Up to 30% adjusted gross income	Up to 20% adjusted gross income
For other non-cash appreciated assets (held long-term)?	Fair market value up to 30% adjusted gross income	Fair market value up to 30% adjusted gross income	Adjusted cost basis up to 20% adjusted gross income
<b>CONTROL &amp; ADMINISTRATION</b>	<b>LEAST</b>	<b>MORE</b>	<b>MOST</b>
What is my role?	Advisory privileges; ultimate control by the sponsoring organization	Neither giver nor family can appoint/control more than 49% of the board; participation in board selection is allowed	You and your family can control/appoint 100% of the board
What control do I have over grants and assets?	You recommend grants and investment options but NCF has overall control	You recommend grants and investment options but the board has ultimate control	The board has complete control of all grants and investments (subject to self-dealing rules)
Can I employ and pay staff?	No	Yes, subject to reasonable compensation limits but not to substantial contributors <sup>1</sup>	Yes, subject to reasonable compensation limits
Can I reimburse expenses?	No	Yes, can pay expenses but cannot reimburse substantial contributors <sup>1</sup>	Yes
Can I grant to individuals?	No	Yes, subject to IRS regulations	Yes, subject to IRS regulations
<b>PRIVACY</b>	<b>MOST</b>	<b>LEAST</b>	<b>LEAST</b>
Can I grant anonymously?	Yes	No <sup>2</sup>	No <sup>2</sup>

	DONOR-ADVISED FUND	SUPPORTING ORGANIZATION	PRIVATE FOUNDATION
<b>TAX REQUIREMENTS</b>	<b>LEAST</b>	<b>LESS</b>	<b>MOST</b>
<b>Do I have a minimum annual distribution requirements?</b>	No	No	Yes, 5% of foundation assets annually
<b>Do I have to pay investment excise taxes?</b>	No	No	Yes, up to 2% of net investments income
<b>What annual tax forms do I need to file?</b>	None	Form 990 and state filings	Form 990 and state filings
<b>INVESTMENT OPTIONS</b>	<b>MOST</b>	<b>MOST</b>	<b>LEAST</b>
<b>Can I invest in NCF's pools?</b>	Yes	No	No
<b>Can I invest through brokerage accounts?</b>	Yes, through our SMAs (separately managed accounts)	Yes	Yes
<b>Can I invest in impact investments?</b>	Yes, with additional screening and approval	Yes	Yes
<b>COST</b>	<b>LEAST</b>	<b>MORE</b>	<b>MORE</b>
<b>Are there start-up costs?</b>	No	Yes, legal and state fees for incorporation (no IRS filing under NCF's group exemption)	Yes, legal and state fees for incorporation, IRS Form 1023
<b>What are my ongoing administration and management costs?</b>	<b>Giving Fund:</b> starts at 100 bps, minimum of \$20 per month <b>Cornerstone Fund:</b> starts at 44 bps and scales down, minimum of \$950 per month, plus 5 bps for separately managed accounts	Starts at 100 bps and scales down, additional costs for board service (\$10,000 annually) and other administrative functions	Costs for accounting, legal, investment, and general administration

1. Substantial contributors are defined in IRC §507(d)(2)(A) and IRC §4946.  
2. Combining with a donor-advised fund can achieve partial privacy and anonymity.  
\* Information in the chart is based on federal laws as of the date of this printing. These laws are subject to change and can affect the accuracy of this information.



## 10 Using Your Business to Fund Charity

We have an innovative solution called the “Charitable Shareholder” strategy, which allows you to donate a non-voting interest in your business to NCF, receive a substantial tax deduction, and still maintain management oversight of your business (through the retained voting interest).



### THE BENEFITS OF GIVING MORE WISELY

- Unlock more dollars for charity now, without waiting for a liquidation event
- Maximize available income tax deductions using non-cash assets (up to 30% of AGI)
- Reduce current-year income taxes, providing increased cash flow
- Avoid or reduce capital gains on the gifted portion if and when the business is sold
- Reduce estate taxes, since a portion of the business is owned by NCF (not your estate)
- Create innovative redemption opportunities (2nd generation, 3rd party, key employee, etc.)

### THE RESULTS OF GIVING NON-CASH

This table shows the impact of giving a 3% non-voting interest in a \$10M family business (S-corp), with \$1 million of K-1 income.

	Before	After*
<b>Giving</b>	\$30,000	\$330,000
<b>Lifestyle</b>	\$200,000	\$200,000
<b>Taxes</b>	\$407,400	\$281,400
<b>Net cash flow for giving, saving, or investing</b>	\$362,600	\$488,600

\* The “After” column sums \$1.3M because the \$300,000 charitable gift came from the company value, not out of earnings. It represents just the first year, but the gift could be repeated annually for more giving.

# NCF's Ministry by the Numbers

How we're helping generous individuals and families reach their highest potential in giving

With offices across the country and close to four decades of leadership and innovation, NCF is comprised of some of the brightest, most passionate experts in charitable giving today.

Founded by Larry Burkett, Ron Blue, and Terry Parker, we're now the 8th-largest US non-profit and the largest Christian grantmaking organization in the world. Today, we serve thousands of givers and advisors with like-minded relationships, creative giving solutions, and an online platform that makes giving simple and fun.

The result? More impact for those in need. More adventure, purpose, and joy for you. And ultimately ... more glory for God.



## \$10 billion

in grants to charities since 1982

With hearts set on getting money to charities fast, the NCF community of givers annually recommend grants at triple the rate of other major donor-advised fund providers.



## 8th

largest charity in America

Founded by generosity pioneers Larry Burkett, Ron Blue, and Terry Parker, we're now the 8th-largest US non-profit and the largest Christian grantmaker in the world.



## 280

team members ready to serve

Every day, our local NCF teams serve givers, advisors, charities, and churches with expert guidance and the most innovative giving solutions available today.



## 63,000

charities and churches supported

From youth ministry to homelessness, evangelism to adoption, human trafficking to disaster relief ... the causes NCF givers support are as endless as the imagination.



Every day, our team of giving experts at NCF comes alongside individuals and families with the most creative and tax-saving charitable solutions available today. We can help you experience the joy of simplifying your giving and multiplying your impact for the causes you love most.

Learn more at [ncfgiving.com](https://ncfgiving.com).

