Your Personal Economic Stimulus Package

A wise person once told me not to become frustrated by all of the things that happen. This can lead to despair. Instead, I was urged to focus on what I can control.

The recent tragedy in Haiti helps illustrate this message. Obviously there was nothing you or I could do to prevent the earthquake. However, what you and I can control is how we respond. For many of us, our response will be in the form of a financial donation to a worthy cause that can make a difference.

Charitable giving can be a powerful catalyst for change. Recognizing that we can control how we spend our "social capital" empowers us in new and meaningful ways. Charitable planned giving, the thoughtful application of carrying out our philanthropy, opens new doors and in turn offers us our own "economic stimulus package".

Let's assume you would like to generate more spendable income. A charitable solution; convert low-yielding CDs to a charitable gift annuity. This arrangement between you and a qualified charity offers advantages over CDs including higher payout rates, substantial income tax deductions and potentially tax-free income.

Assume Bill and Karen, both 72, have a CD that now earns 2%. They would like to make a meaningful gift to their charity and generate income to meet their own needs. They decide to transfer $50,000 to their charity. In return, their charitable annuity pays them 5.3% for life ($2,650/yr of which $1,780 is tax-free). Further, Bill and Karen receive an immediate charitable deduction of $16,500 which saves them over $4,000 in taxes.

Here is another example. Your goal is to give to charity and to protect your gain in your investments. To do this, you elect to give an investment that has gone up in value.

Few among us will forget the "financial earthquake" that began in 2007. Fortunately, since March of 2009, the financial markets have posted a substantial gain, allowing some long-held investments to get back into positive territory – perhaps creating a handsome gain.

You could sell the investment, and pay taxes on the gain. Or, you could incorporate the charitable planned giving approach, and give the investment to charity. The charity then sells the investment and pays no taxes on the gain. You receive a charitable income tax deduction for the investment's full market value.

One more (of the many) technique to consider: Assume your goal is to accelerate your estate gifts and generate tax savings. A solution could be the gift of a remainder interest in your property.

This allows you to make a gift during your lifetime without disrupting your current lifestyle. For example, a couple both 75 give a remainder interest in their home to their charity and keep a life estate for themselves. If their house is worth $500,000, they would be entitled to an immediate tax deduction of over $260,000. This saves them over $65,000 in taxes at a 25% tax bracket. They receive this tax benefit and retain the use of their home for the rest of their lives.

I have barely scratched the surface on the very basic ways you can use philanthropy to meet charitable needs and your needs. This is something you can control. A win for your charity and a win for you.

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