



Trusts, Estates,
and Gift Planning

VESTED INTEREST

Gift Planning newsletter from Cornell University



Spring 2021

giftplanning.giving.cornell.edu

Strategic financial planning for your Cornell philanthropy

GETTING BACK TO NORMAL

Legislation for the American Rescue Plan Act (ARPA) was recently signed into law. While we continue to examine its implications on gift planning, we wanted to highlight some of the ways that charitable giving has worked for others throughout this volatile year. During a time when job and income security have been in doubt for some, we can advise on income security throughout retirement for yourself and for loved ones.

HAVING YOUR BEST FINANCIAL YEAR

In an environment where markets and capital appreciation are elevated across the board, there is great potential to lock in gains, diversify your portfolio, and secure additional streams of lifetime income through charitable giving. If you found yourself wanting to support Cornell and receive a supplemental income, a Charitable Gift Annuity (CGA) or a Charitable Remainder Trust (CRT) are effective options that can protect your gain, generate an attractive return, and provide a partial tax deduction and a source of income for life. You can also attain charitable goals while providing a future benefit to loved ones by establishing a testamentary CRT funded by an IRA, a strategy we call the “Charitable Stretch IRA”. In this issue of *Vested Interest*, we explain how these three charitable tools—the CGA, CRT, and the Charitable Stretch IRA, would work at Cornell.

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THE CHARITABLE GIFT ANNUITY

As the stock market bounces up and down and interest rates continue to remain relatively low, a charitable gift annuity can provide tax benefits and lifetime income. In exchange for an irrevocable gift of cash or other appreciated assets, Cornell agrees to pay one or two persons guaranteed payments at quarterly intervals for life. These payments can be **immediate** or **deferred** and require a gift minimum of \$10,000 to establish the contract. The gift annuity income you receive is often higher than what is available from many conservative investments. Many retirement plans such as IRAs, Keoghs, and 401(k) plans have contribution and/or income limits. If you are younger and wish to supplement your retirement plan, the deferred charitable gift annuity is a great alternative. This vehicle enables you to donate cash or securities now and receive annuity payments at a specified time in the future, such as at retirement. Deferring annuity payments yields higher payouts and a significantly larger income tax deduction in the year the annuity is established.

Honoring those who have
established a planned gift
for Cornell University.





THE CHARITABLE REMAINDER TRUST

A charitable remainder trust combines charitable giving with other financial goals while retaining an income for life or a term of years. At Cornell, you can establish a charitable remainder trust with a gift of \$50,000 or more, which can include any combination of appreciated securities, real estate, cash, or other assets. The donated assets are then reinvested alongside the University Endowment or other portfolios designed for a specific objective. The distribution payout from your CRT is typically no less than 5%, is established for life, and may benefit you, your spouse, or other designated beneficiaries at chosen intervals. When your trust terminates, the "remainder" in the trust becomes a gift to Cornell, which can be designated in a number of different ways that you choose.

TYPICAL ASSETS DEPLOYED BY PHILANTHROPIC CORNELLIANS

- Cash
- Bonds
- Real estate
- Appreciated stock, mutual funds, and exchange traded funds (ETF)s
- Capital assets prior to a liquidation or other significant capital event

Learn more

Additional resources are available for you to review on our website
giftplanning.giving.cornell.edu



THE CHARITABLE STRETCH IRA

The Secure Act, an expansive retirement law that went into effect Jan. 1, 2020, eliminated the “Stretch IRA,” which allowed non-spousal beneficiaries to withdraw assets of inherited accounts over their lifetimes. This allowed for extended tax-deferred growth and *stretched* the taxation of the account value over many years, thus the term “Stretch IRA”. Under these new rules, philanthropists are encouraged to think differently about using IRAs for charitable and individual beneficiaries—namely, the inherited IRA must be spent down within 10 years, which will cause heirs to be taxed at their highest effective tax bracket, potentially losing a significant percentage of the IRA to taxes. Retirement plan assets are one of the most tax-efficient assets to transfer to charity on a testamentary basis. If you are hoping to be philanthropic and provide an alternate income source for loved ones, a testamentary CRT funded by an IRA is the savvy way around the elimination of the stretch IRA. Naming a testamentary CRT as the beneficiary of the IRA would create what we call the “Charitable Stretch IRA” thus providing your chosen beneficiaries with an income stream well beyond 10 years. Creating a testamentary CRT can maximize tax efficiencies, benefit your heirs, and ultimately show your support for Cornell.

Smart gift plans using one or any combination of these methods may provide you with an efficient and effective strategy to maximize impact and minimize taxation. Please request a **personalized illustration**, and let us help you and your financial advisors review these options.

Contact us today Trusts, Estates, and Gift Planning

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