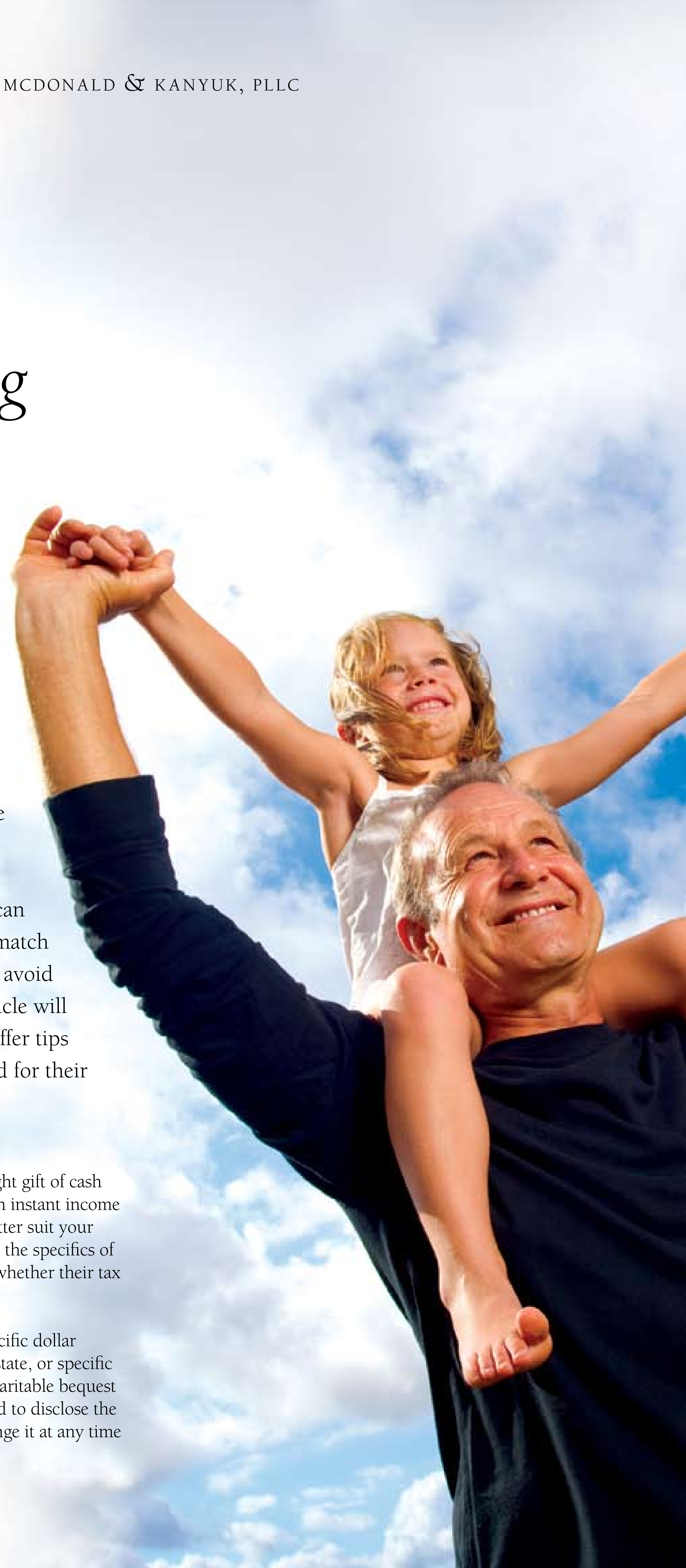

charitable *giving*

DEVELOP THE RIGHT STRATEGY FOR YOU

In a down economy, people often give up non-essential expenses and rethink their charitable giving. Ironically, donations tend to dry up just when charities need them the most. The final figures aren't in yet, but charitable donations in 2008 are expected to be less than in 2007, making it only the second time in 40 years that charitable giving fell from one year to the next. Although charities tend to collect the lion's share of their donations during the holiday season, need persists throughout the year. Establishing a plan for charitable giving now can help you prioritize your philanthropic goals, match the timing of your gifts to your cash flow, and avoid the pressure of year-end solicitations. This article will provide a brief guide to planned giving, and offer tips on how to ensure that your donations are used for their intended purpose.

CONSIDER THE OPTIONS

There are many ways to make a charitable gift. An outright gift of cash or securities during life is the simplest, and it provides an instant income tax benefit to you. Other types of gifts, however, may better suit your needs. You should consult with your tax advisor to learn the specifics of any of the planned giving options described below and whether their tax benefits apply to you.

• Charitable Bequest – In your will, you can leave a specific dollar amount, fraction of your estate, the remainder of your estate, or specific property to one or more charities upon your death. A charitable bequest may reduce your income and estate taxes. You don't need to disclose the gift to the charity during your lifetime, and you can change it at any time before your death.

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• Charitable Remainder Trust – A charitable remainder trust provides you with an income stream during your lifetime after you make a gift of cash or property to the trust. Upon your death, the remaining trust property passes to a charity. You typically can claim an income tax deduction for the property transferred to the trust, although the payments from the trust back to you may be subject to tax. A charitable remainder trust may reduce your estate taxes.

• Charitable Lead Trust – A charitable lead trust pays an income (or "lead") interest to a charitable beneficiary for a certain period of time. When the term of the trust expires, the remaining trust property either is paid to you or family members named in the trust agreement. Contributions to properly structured charitable lead trusts qualify for an income tax deduction, and may qualify for an estate tax deduction as well. Lead trusts are especially useful if you want to leave assets to your children and grandchildren in the future, but not immediately.

• Gift Annuity – With a gift annuity, a charity promises to pay you a guaranteed income stream for life in exchange for transferring assets to the charity. Although you'll receive an income tax deduction when you purchase a gift annuity, you may be required to pay capital gain taxes if you purchase the annuity with appreciated property.

• Donor Advised Fund – Donor advised funds are the fastest growing philanthropic vehicle. They allow you to maintain personal involvement in charitable giving without the administration headaches of a private foundation. To establish a donor advised fund, you contribute assets to a third party charitable fund (such as the New Hampshire Charitable Foundation). The charitable fund places the donated assets in a pool of investments. You, the donor, become the account advisor, and recommend to the charitable fund how and when the fund should be distributed to charitable organizations. You receive an immediate income tax deduction for assets donated to a donor advised fund, even though the donated property may be distributed to other charities over a period of years.

• Private Foundation – By establishing a private foundation, you essentially create your own charity and retain control over how the donated funds are invested and when and to whom they are distributed. Although private foundations take quite a bit of care and feeding, they can be an excellent choice if you want more flexibility (compared to a donor advised fund) in how the funds are spent, and if you want to make your philanthropy a family endeavor. Private foundations often employ and compensate family members as staff, and can help parents transfer their values and philanthropic ideals to future generations. Contributions to private foundations generally are income tax deductible.

• Life Insurance – By naming a charity as the owner and beneficiary of a new or existing insurance policy, it may be possible to make a major gift to a charity with a one-time premium payment or modest annual payment. Income and estate tax advantages generally are available for gifts of life insurance.

• Distributions from an IRA – The economic bailout in October 2008 actually contained some good news. If you are age 70½ or older, you and your spouse each can give up to $100,000 directly from your individual retirement accounts to a public charity in 2009. You won't get an income tax deduction for the contribution, but you'll probably come out ahead, since you won't have to include the donated amount in your 2009 income.

HOW TO MONITOR CHARITIES

Once you've decided how, when, and to whom to make a charitable contribution, you want to make sure that your donee uses your gift properly. There are a number of ways to monitor how your donated dollars are spent. Certainly, you could ask a charity directly for information about its spending and privacy policies, but it may not reveal all of the facts you need to make an informed decision. Accordingly, it's a good idea to review several different charity watchdog websites.

CharityNavigator.org evaluates the health of over 5,000 U.S. charities and is free to people who register. The site evaluates charities in several financial categories and compares them to their peers. The American Institute of Philanthropy (charitywatchdog.org), the Better Business Bureau Wise Giving Alliance (bbb.org/charity), and Guidestar (guidestar.org) also rank charities based on their financials. It's important to remember, though, that rankings based on financial information alone may not reflect whether a charity is actually achieving its charitable mission. Also, these sites don't rank all charitable organizations. If your charity isn't listed, you'd be wise to search for it in IRS publication 78 (available at irs.gov), which lists organizations eligible to receive tax-deductible charitable contributions. You also should request a copy of the charity's income tax return. This return will provide information about the charity's sources of support and expenses, including compensation.

Wading through the options of planned giving and vetting potential donees may seem daunting at first. Establishing a timeline and budget for your charitable contributions, along with a deliberate approach to how and to whom you'll donate, will make the process easier.

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