



Giving the Farm

By Christopher M. Lamb, CIMA

We can't take it with us! Most estate plans are simple, and there is nothing wrong with that. What if you want to take philanthropy to the next level - what do you do, and what are your options?

The *basic bequest* can be done through your will or trust. This allows you to have funds given to a specific charitable organization after your death. This is generally done through cash assets or through a specific bequest of an identifiable asset such as an individual stock or piece of property. If your estate is large enough, this will reduce the value of your estate at death and allow your estate to receive an estate tax deduction.

Individuals also have the ability to use a *donor advised fund*. This type of investment is used during the lifetime of the donor, and is funded through a donation. Once the funds are received, they are invested in a mutual fund. The donor has the ability of 'advising' the fund, thereby recommending a charity for periodic distributions along with a suggested amount. Donor advised funds are structured to meet the needs of a smaller philanthropic effort and are simple to administer. There isn't any reporting that is required of the beneficiary, and the administration is handled by the fund.

A *private foundation* is the highest and most complex form of philanthropy. Foundations are responsible for the management of their financial assets, and certain reporting and distribution requirements. Foundations are required to distribute funds on an annual basis, and must report all activities to the government. Foundations can be divided into two types: Operating foundations and Non-Operating foundations. The reporting requirements are somewhat similar, however, the capabilities and management responsibilities are drastically different. Operating foundations will function as 'hand to mouth' charities themselves, while non-operating foundations will support the non-profit organizations that function as charities.

Private foundations provide the maximum in terms of flexibility, and can provide a method by which families involve multiple generations in philanthropic efforts. Foundations have been used by many well-known philanthropic families and allow many families to create a stated purpose behind the wealth they have created.

No matter what your charitable intent, there are many options to consider. Estate taxes, income taxes, and outright charitable intentions dictate the method and options to be carefully considered for any individual or family. Old Mission Investment Company plays an important role in evaluating your philanthropic intentions and works closely with your legal and tax counsel to effectively create and administer your charitable bequests.

