Create Your Conservation Legacy

How to Maximize Planned Giving to Benefit Your Family & Nature in the Greater Litchfield Hills

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Federal Estate, Gift and GST Taxes

- Applicable exclusion amount $12.06 million in 2022 (set to be cut in half in 2026)
- Spousal “portability” of unused exclusion
- Tax rate 40%
- $16,000 per donee gift tax annual exclusion (inflation-indexed)
- Med-ed gift tax exclusion
- Marital deduction (no tax on transfer to U.S. spouse)
- Charitable deduction (no tax on transfer to charity)
Federal Generation-Skipping Transfer Taxes

- Federal GST tax on transfers to persons two or more generations younger than transferor (e.g., grandchildren or younger)
- Same exclusion as Estate and Gift tax
- Tax rate is highest marginal estate tax rate (now 40%)
- *In addition* to estate and gift taxes
- No Connecticut GST tax
Connecticut Estate and Gift Taxes

• Connecticut estate tax on transfers at death
• Connecticut gift tax on lifetime transfers
• 2022 Exemption $9.1 million (will equal federal next year, but is not “portable” like the federal one
• Tax rates 7.2% to 12%
Estate Planning Basics

• Will
• Durable Financial power of attorney
• Advance medical directive
• Designation of conservator for future incapacity
• Coordinated beneficiary designations
• Proper asset ownership
• Plan review and update
What are Trusts?

- Form of asset ownership with three parties
  - grantor (creates and funds trust)
  - trustee (manages trust assets)
  - beneficiary (enjoys trust assets)

- Purposes
  - manage and control use and transfer of assets
  - protect trust assets from creditors/divorcing spouses/others
  - save income, gift, estate, and GST taxes
Tax Incentives for Charitable Giving

- Tax code encourages charitable giving
  - income, gift, and estate tax deductions

- Tax incentives more favorable for
  - lifetime gifts than gifts at death
  - gifts to public charities than gifts to private foundations
  - gifts of appreciated assets than gifts of cash
Types of Charitable Giving

- Lifetime gifts
- Gifts at death
- Wholly charitable gifts (charitable only)
- Split-interest charitable gifts (part personal; part charitable)
  - remainder gifts (personal now; charitable later)
  - lead gifts (charitable now; personal later)
- Donor-advised funds (DAF’s)
- Private Family foundations
Lifetime Wholly Charitable Gifts

- Cash
- Check
- Stock
- Real estate
- Tangible personal property
- Life insurance policy
- IRA charitable rollover/Qualified Charitable Distribution
Lifetime Split-Interest Charitable Gifts

- Pooled income fund
- Charitable gift annuity
- Charitable remainder trust
- Charitable lead trust
- Remainder interest in residence
Wholly Charitable Gifts at Death

- Bequest in will, codicil, or revocable trust
  - specific dollar amount (e.g., $100,000)
  - percentage of estate (e.g., 10%)
  - to spouse (with request to make charitable gift)
- Beneficiary designation
  - life insurance policy
  - annuity contract
  - IRA or retirement plan
- Primary or contingent gifts
Split-Interest Charitable Gifts at Death

- Charitable gift annuity
- Charitable remainder trust
- Charitable lead trust
Charitable Giving Tax Considerations

- Give appreciated stock rather than cash
  - avoid capital gains
- Do not give assets worth less than their cost
  - sell assets first and take income tax loss
- Favor lifetime gifts over gifts at death
  - obtain two tax deductions (income and estate)
Charitable Giving Tax Considerations

• Consider lifetime split-interest gifts
  o retain cash flow and get income tax deduction

• Name charity as beneficiary of IRAs and retirement plans
Implementing Charitable Gift Planning

• Consider
  o making lifetime planned gifts to charity
  o including a bequest to charity in your will or revocable trust
  o naming a charity as beneficiary of a life insurance policy, IRA, annuity, or retirement plan

• Contact your land trust for more information
## Charitable Giving Options Checklist (to be reviewed and discussed with your attorney)

<table>
<thead>
<tr>
<th>Item</th>
<th>Option for Me?</th>
<th>Status</th>
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<tbody>
<tr>
<td>1. Bequest in Will or Revocable Trust</td>
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<tr>
<td>a) Cash (Amount or Percentage)</td>
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<td>b) Other Assets</td>
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<td>2. Gift or Cash</td>
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<td>3. Gift of Appreciated Stock</td>
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<td>4. Gift of Tangible Personal or Real Property</td>
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<td>5. Gift of Life Insurance Policy</td>
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<td>6. IRA Direct Charitable Rollover</td>
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<td>7. Beneficiary of Life Insurance Policy, Retirement Plan, or IRA</td>
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<td>8. Pooled Income Fund</td>
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<td>9. Charitable Gift Annuity</td>
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<td>10. Charitable Remainder Trust</td>
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<tr>
<td>a) Annuity Trust</td>
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<td>b) Unitrust</td>
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<td>11. Charitable Lead Trust</td>
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<td>12. Donor-Advised Fund</td>
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<td>13. Family Donation</td>
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