WACOSA Planned Giving Options
Board Educational Training Session
May 8, 2023

Primary objective is to educate board members about the following:

1. How Supplemental and Special Needs Trusts for families of persons with disabilities can also be used for charitable giving.
2. How Life Income Gifts such as Charitable Gift Annuities and Charitable Remainder Trusts can supplement annual income and provide a charitable gift.

Objective #1: How Supplemental Needs Trusts and Special Needs Trusts for Individuals with Disabilities can also be used for Charitable Giving

Many people who live with a disability will at some point in time depend on public assistance (Supplemental Security Income and/or Medical Assistance). In order to qualify for public assistance, the individual must be or become "impoverished," with assets below a bare minimum established by the government (currently $2,000 for Supplemental Security Income and $3,000 for Medical Assistance).

Supplemental Needs Trust vs. Special Needs Trust

The purpose of a both trusts are similar, with differences in funding sources and distributions upon death.

Purpose: The law allows the establishment of **Supplemental Needs Trusts** and **Special Needs Trusts** to benefit people with disabilities (typically under the age of 64) by supplementing and managing their financial resources so a person retains their eligibility for public assistance benefits. The trusts can hold an unlimited amount of assets available for lifetime use, without those assets ever being considered "available" when calculating income eligibility.

Funding: If the person with a disability is funding the trust with their own assets (such as through an inheritance or personal injury settlement), it is considered a **Special Needs Trust**. If the trust is funded with assets belonging to someone other than the person with a disability or their spouse (such as parents, grandparents, friends or others), then it is considered a **Supplemental Needs Trust.** Both types of trusts are irrevocable, meaning once established, the Grantor/Settlor (person establishing the trust) cannot change the trust provisions, terminate the trust, or withdraw the trust assets.

Final Distribution: Upon the death of the beneficiary, the distribution of remaining assets also varies for each trust. In a **Special Needs Trust**, the governmental will first be reimbursed for all Medical Assistance benefits paid to the beneficiary; if excess funds remain, the person who established the trust can name a person and/or charity as a residual beneficiary. In **Supplemental Needs Trust,** the person who established the trust can name a person and/or charity as a residual beneficiary.

Naming a charity as a beneficiary of a Supplemental Needs Trust or Special Needs Trust is an excellent option to create a legacy in honor of the person with a disability who has benefitted from services provided by the charity.

Objective #2: How Life Income Gifts such as Charitable Gift Annuities and Charitable Remainder Trusts can Supplement Annual Income <u>and</u> Provide a Charitable Gift

Many generous donors would like to do more to provide for the future of a charitable organization, but feel they cannot currently afford to make larger gifts. There are several **"Life Income"** gift options that allow an individual to make gifts today, retain payments for life and have the satisfaction of knowing their gifts will provide a lasting charitable legacy.

"**Life Income**" gifts can be used in a number of ways to address specific financial and family situations. Some of the benefits include: 1) increased income from guaranteed fixed payments, especially during retirement, 2) receiving partially tax-free income that may reduce income taxes, 3) minimizing or avoiding capital gains tax, and 4) receiving a charitable deduction.

Popular types of life income gifts are: **Charitable Gift Annuity, Deferred Charitable Gift Annuity** and **Charitable Remainder Trusts.**

Charitable Gift Annuity (CGA): A CGA is simply a legal agreement between an individual and a charitable organization. An individual gives a sum of money or property and in return the charitable organization agrees to pay the donor or other beneficiaries, a fixed income for life with the remainder amount going to the charity upon death. Most donors establish gift annuities for themselves and/or a spouse, but the CGA is an extremely versatile gift technique that can address several estate planning challenges.

Deferred Charitable Gift Annuity (DCGA): A DCGA is the same as a CGA, except the payments are delayed until a pre-determined time. A longer delay between the creation of the DCGA and the commencement of payments result in a higher annuity rate and a larger charitable income tax deduction. Some donors view a DCGA as an attractive supplement to their retirement plan, while still being charitable.

Charitable Remainder Trusts (CRT): A CRT is a tax-exempt, irrevocable trust designed to reduce the taxable income of individuals by first dispersing income to the beneficiaries of the trust for a specified period of time and then donating the remainder of the trust to a designated charity or charities. A CRT offers a way to make a future gift to a charity after first providing income for the donor and/or others named as beneficiaries.

Remainder Interest in Home or Farm

While a gift of a residence, vacation home or farm with a **Retained Life Estate** does not pay income to the donor, it allows a donor to make a gift — and take a current income tax deduction — while continuing to use the property for life or rent it out for income.