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CHELSEA NEWS 

Giving for the new year

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PUBLISHED SEP 14, 2018 AT 12:01 PM (UPDATED SEP 14, 2018)

Advice about long-term philanthropy in a season devoted to helping those less fortunate

Photos



At City Harvest, a food rescue organization in New York City. Photo: U.S. Department of Agriculture, via flickr

In this season of the High Holidays, it is time again to reflect on how we can help those less fortunate than ourselves. Our mailboxes are filled with requests to help hungry children, families coping with illness and organizations devoted to an array of social and environmental causes. This is the season in which we actively pursue remedying the world's injustices.

Pragmatically, we must consider how best to be philanthropic. That means maximizing what we can give by maximizing the wealth we have. It also means planning what we will leave behind.

Charitable giving works best with a methodical, long-term strategy. Such a strategy can be rewarding, not only from an emotional standpoint but from a financial one as well. When strategically executed, a long-term charitable giving plan means a designated cause can be supported, with the potential of generating returns on your investment, thus advancing an overall wealth management plan. There are many tools that will help accomplish this goal:

Charitable Remainder Trusts

Charitable remainder trusts allow for donors to receive an income stream for a fixed period or lifetime, at the end of which remaining funds are distributed to a designated charity. There are a variety of other types of trusts worthy of consideration and discussion with your legal, tax, and financial advisors.

Gift Annuities

This is a contract between a donor and a charity: the donor transfers cash or property to the charity in exchange for a partial tax deduction and a lifetime stream of annual income from the charity. When the donor dies, the charity keeps the remainder of the gift. The amount of the income stream is often determined by payout rates defined by the American Council on Gift Annuities as well as other factors, including the donor's age and the policy of the charity.

Donor Advised Funds

Easy to establish, low cost and flexible, these funds are a good way to engage in giving. A donor advised fund (DAF) is administered by a public charity and is created to manage donations on behalf of the family or individual. They are administratively convenient and offer tax advantages. Naming a DAF as a beneficiary of your retirement accounts may circumvent both estate and income tax on the gift.

No matter what the strategy, that remember not all charities are created equal. The beneficiary organization must be reputable. It needs to meet the qualifications under the IRS code, and must provide proof that its funds are used for charitable purposes. IRS regulations are in place to guard against corruption, but also to protect philanthropists themselves by ensuring that charitable gifts are put to good use, and done so in a transparent fashion. Look for organizations that withhold only a small proportion of

donations for administrative costs, and channel the rest to the intended cause, need or benevolent opportunity.

Most charitable organizations are transparent and disclose their financial and other information willingly, without cost; in fact, much of the necessary information can be found on the internet. Remember to document everything while assessing the benefits of philanthropy and while implementing it.

Also keep in mind the limits and what they mean for tax liability. For instance, the individual lifetime federal gift tax exemption is \$5.6 million. Individuals are urged to consult their personal tax or legal advisors to understand the tax consequences of any actions.

We are a generous nation; charitable donations from private citizens topped \$400 billion for the first time in 2017, according to a recent annual report on philanthropy. The impetus behind the surge in giving, according to the report, was the soaring stock market, aided by large gifts from high net worth individuals, ultimately totaling \$410 billion from individuals, estates, foundations and corporations — up 5.2 percent from the estimate of \$389.64 billion for 2016.

Personally, I will once again be supporting one of New York City's largest food rescue organizations. Food rescue organizations across the city help to feed the millions of New Yorkers who are struggling to put meals on their tables. Such organizations have saved over 600 million pounds of food and delivered it to hundreds of food pantries, soup kitchens and other community partners across the five boroughs.

During this time of year, it is customary to give generously particularly before Yom Kippur; no matter how you choose to donate or how much, charitable giving is a great source of merit to help us be inscribed favorably for another year.

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