Planned gifts also called legacy gifts or deferred gifts, come in all shapes and sizes. Planned gifts come in three types: current gifts, deferred gifts, and split interest gifts. Current gifts are those given and received now. Examples of current gifts include cash or checks, stocks or bonds, real estate, personal property, and art or antiques. The donor simply sends or brings the actual gift to your organization or signs papers transferring the asset(s) to your organization.

Deferred gifts are decided upon or given now but received by your organization at some time in the future, often at the end of the donor’s (and the donor’s spouse’s) lifetime.

Split interest gifts share benefits with both the donor (and/or the donor’s heirs) and your organization. The attraction of most split interest gifts is that the donor can arrange for the Lutheran Elementary School Associ ation to receive the gift’s corpus in the future, while retaining regular payments of investment earnings for a period of years or for the rest of the donor’s (and spouse’s) lifetime. As you can imagine, these payments can make a nice addition to retirement income. For younger donors, the payments can be deferred until the donor retires or reaches 65 years of age.

Click here to see a sampling of some of the most common gift planning tools.

### Outright Gifts (the “Simple” Gifts)

***Bequests***

A Bequest is a gift made through a will or a living trust. It’s the most popular planned gift; the easiest to make; and costs nothing during a donor’s lifetime. A Bequest can be included in a new will or added to an existing will or living trust through a simple amendment called a codicil —often without the expense of hiring a lawyer.

A Bequest is usually a set dollar amount or percentage of an estate that goes to a nonprofit after the donor’s death.

***Appreciated Securities***

Publicly traded Appreciated Securities that a donor has owned for more than one year can be transferred to a nonprofit organization. The Lutheran Elementary School Association then sells the securities and keeps the proceeds, which can be applied to whatever purpose the donor designates. The donor gets an income tax charitable deduction based on the fair market value of the securities while also avoiding capital gains tax.

***Life Insurance***

A donor can designate a charity as a Life Insurance policy beneficiary. When the time comes, the nonprofit receives the proceeds. This allows the donor to provide a large gift to benefit a nonprofit — often more than they’d be able to donate outright. The donor’s heirs benefit as well, because policy proceeds distributed to a nonprofit are exempt from estate tax.

***Real Estate***

A donor can make a gift of real estate to the Lutheran Elementary School Association, removing a large taxable asset from their estate and benefiting by receiving an income tax deduction equal to the appraised fair market value of the property, with no capital gains tax due on the transfer.

***Personal Property***

Donors can gift items such as artwork, collectibles, books, equipment, or other items of tangible Personal Property. Most times, a gift will yield them a charitable deduction for the items’ fair market value (it must be professionally appraised), with no capital gains liability to the donor or organization.

***Retirement Plan***

Like a gift of life insurance, a donor can name the Lutheran Elementary School Association as the beneficiary of a portion or all of his/her IRA, 401(k), or other Retirement Plans. When the donor’s estate is settled, the amount designated passes to the nonprofit and the donor’s heirs avoid income and estate tax.

***IRA Rollover (QCD)***

A Charitable IRA Rollover (also referred to as a QCD — a qualified charitable distribution) allows donors 70½ or older to make tax-free IRA charitable rollover gifts of up to $100,000 per year directly from their Individual Retirement Accounts to the Lutheran Elementary School Association. The funds must be transferred directly to the charity; withdrawing them first will result in a tax penalty.

***Life Income Gifts (“The Gifts that Pay You Back)***

A Charitable Gift Annuity allows the donor to transfer an irrevocable gift of cash or securities to the Lutheran Elementary School Association in exchange for a fixed income payment for life. What’s more, this gift plan entitles the donor to an immediate charitable income tax deduction. At the end of its term, the Charitable Gift Annuity balance goes to the nonprofit to support its mission.

***Pooled Income Fund (PIF)***

With a Pooled Income Fund, a donor’s gift is pooled with gifts from other donors who support the Lutheran Elementary School Association, and then invested to pay each donor a quarterly income calculated from their share of the fund. As each participant passes away, the nonprofit receives a gift in the amount of that donor’s share of the fund. Donors can avoid capital gains tax by using appreciated assets for their gift.

***Remainder Unitrust***

A Charitable Remainder Unitrust is a charitable trust that pays a percentage of its principal to the donor and/or other income beneficiaries the donor names for life, for a term of up to 20 years, or for a combination of both. Because it is revalued annually, payments may increase over time. The donor receives a charitable income tax deduction for a portion of the value of the assets placed in the trust. After the Charitable Remainder Unitrust terminates, the balance goes to the Lutheran Elementary School Association.

**Remainder Annuity Trust**

A Charitable Remainder Annuity Trust allows a donor to contribute appreciated assets to the trust, generate a fixed income stream, defer or eliminate gains, and reduce estate taxes. The Charitable Remainder Annuity Trust pays its beneficiaries a fixed amount based on the percentage of the initial value of the assets used to fund the trust. Payments can be made for the beneficiaries’ lifetimes, or for a term of up to 20 years, or for a combination of both. No upfront capital gains tax is applied to contributions of appreciated property to an annuity trust. After the annuity trust terminates the balance or “remainder interest” goes to the Lutheran Elementary School Association to be used as the donor designated.

**Gifts That Protect Assets (Complex Gifts)**

***Lead Trust***

A Charitable Lead Trust is the reverse of a Charitable Remainder Trust. After a donor makes a gift, the Charitable Lead Trust pays income to the donor’s designated charity first, for a term of years or for the donor’s lifetime. After that, the trust assets are passed back to the donor or designated beneficiaries.

***Retained Life Estate***

In a Retained Life Estate, a donor transfers a property deed — a residence, vacation home, farm, etc. — to a charity, but retains the right to use (including rent out) or live in the property for life or a term of years. In exchange, the donor receives an immediate income tax deduction based on the fair market value of the property minus the present value of the retained life estate. The donor must cover any expenses and maintenance costs associated with the property during their lifetime.

***Bargain Sale***

In a Charitable Bargain Sale, a donor sells property to the Lutheran Elementary School Association for an amount less than the property’s fair market value and receives a charitable tax deduction equal to the difference between the market value and the sale price. This can sometimes be more financially advantageous to the donor than selling the property, paying taxes, and then making an outright charitable gift from the proceeds of the sale.

The above information is sourced from the Planned Giving Council. For more information, please contact Katherine Auble or Susan Nahmensen at the Lutheran Elementary School Association, 314-200-0797.