ADVISOR GUIDE

2022 Charitable Giving Opportunities

Solutions and strategies to help your clients send more to the causes they love

National Christian Foundation
Open up new horizons for heart-level client conversations, with creative giving solutions from NCF

People depend on you for wise strategies for their financial planning. But what about their strategy for giving? Helping your clients grow on their journey of generosity is a great opportunity to deepen your relationships, grow your practice, and steward the influence God has given you.
Cash giving opportunities

Help your clients open a donor-advised fund

Cash giving with potential tax savings

Non-cash giving opportunities*

The power of non-cash giving

Giving publicly traded stocks

Using real estate to fund charity

Using business to fund charity

Other creative opportunities

Including charitable giving in a business exit strategy

Charitable estate planning

Complementing a family foundation with a donor-advised fund

Managing investments through Separately Managed Accounts

Comparison of popular giving vehicles

* Non-cash gifts may be made to one or more of NCF’s related entities.
Help your clients open a donor-advised fund

A Giving Fund at NCF, also known as a donor-advised fund (DAF), works like a charitable checking account. But instead of depositing money and writing checks, your clients can contribute all types of assets to NCF (such as cash, stocks, and complex, non-cash assets), qualify for an income tax deduction at the time of the donation, and then go online to recommend grants to their favorite charities.

POWERFUL BENEFITS, SHARED VALUES

- Simple – Reduce paperwork, receipts, and administration
- Efficient – Spend less in taxes and send more to charity
- Convenient – Manage all giving online from any device
- Christian – Enjoy service from a team with shared values
- Reliable – Our team ensures completed grants meet IRS standards
- Fun – Clients enjoy giving with their entire family
Cash giving with potential tax savings

There are many scenarios where giving cash is the right decision for a client. Here are some opportunities to consider:

For non-itemizers: Bunching charitable contributions

- Every other year, give more than the standard deduction, and consider using a donor-advised fund
- Use a donor-advised fund to secure an immediate charitable deduction, and then grant distributions to charities over time

Maximizing your charitable deduction: Cash giving

- Your clients can deduct up to 60% of their AGI when they give cash only
- If your client makes a non-cash gift that is limited to 30% of AGI (adjusted gross income), they can maximize their allowable charitable deduction by pairing it with a cash gift that, when combined, is equal to 50% of AGI

Make Qualified Charitable Distributions (QCDs) from IRAs

- Make QCDs directly to charity
- Limitations:
  - Must be 70 ½ or older
  - Limited to $100,000 per year
  - Can only be made to a public charity (no DAFs, CRTs, or CGAs)
- Distributions to a Single-Charity Fund at NCF qualify as a QCD
The power of non-cash giving

Your clients probably dream of giving significantly more to the charities they love, but often that seems out of reach. With non-cash giving at NCF, it’s possible. Your clients transfer appreciated assets to us before they decide to sell those assets. This potentially reduces or eliminates capital gains taxes and unleashes more for charity. The net proceeds go to their Giving Funds, which they can use to go online to recommend more to the causes they love.

**BENEFITS TO YOUR CLIENTS**

- Greater tax-deductions – Your clients typically receive a tax deduction for the fair market value of their gift.
- More to charity – The capital gains taxes potentially saved means more would be available for granting to your clients’ favorite charities and causes.
- Customized guidance – Over four decades, our team of charitable professionals has helped givers like your clients donate 2,600+ non-cash assets worth more than $4 billion.

**ASSETS YOUR CLIENTS CAN GIVE**

- Appreciated securities – Stocks, bonds, mutual funds
- Business interests – Ownership in closely-held businesses
- Real estate – Commercial, residential, or undeveloped property
- Other creative gifts – Loan notes, estate gifts, retirement plans (QCDs)
Giving publicly traded stocks

In most cases, if your clients have appreciated stocks or mutual funds in a taxable investment portfolio, they have a significant opportunity to give more, simplify the process, potentially pay less tax, and improve their personal cash flow. The key is to help them donate these appreciated securities before they sell them.

**TRADITIONAL GIVING USING CHECKS**

1. Start with $10,000 in cash
2. Write checks to charities for $10,000
3. Qualify for a $10,000 charitable deduction
4. Continue to pay capital gains tax in their portfolio (now or later)

**MORE GIVING USING STOCKS**

1. Donate $10,000 of stock into a Giving Fund
2. Qualify for a fair market value charitable deduction of $10,000
3. Shares are sold by NCF with no capital gains tax implications, with proceeds placed in a Giving Fund
4. Opportunity to replenish portfolio with retained cash
5. Use potential tax savings to give more!
Using real estate to fund charity

Your clients can donate interests in appreciated real estate and residential and/or commercial property to NCF. Then, while NCF holds the property and upon liquidation, the proceeds go to their Giving Funds. This may reduce or eliminate taxes on the gifted portion’s future income and future sales, resulting in more money for charity. In most cases, your clients receive an income tax deduction for the appraised fair market value of the gift, freeing up additional cash flow for more giving.

THE BENEFITS

- Maximize giving by preserving the full fair market value of the gifted asset for charitable impact
- Utilize annual charitable deductions for non-cash asset gifts (up to 30% of AGI), increasing cash flow
- Mobilize tax-efficient income on NCF’s portion of future property net income for granting to charities (NCF may have 60-100% tax savings on pass-through taxable net income during ownership)
- Avoid or reduce potential capital gains taxes on NCF’s portion of future sale proceeds

THE RESULTS

This table shows the impact of giving a $1,000,000 piece of land with a $100,000 cost basis and no debt.

<table>
<thead>
<tr>
<th></th>
<th>Family</th>
<th>Taxes</th>
<th>Charity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell then give cash</td>
<td>$311,000</td>
<td>($52,000)</td>
<td>$741,000</td>
</tr>
<tr>
<td>Give property before a sale</td>
<td>$420,000</td>
<td>($420,000)</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$109,000</td>
<td>$368,000</td>
<td>$259,000</td>
</tr>
</tbody>
</table>

As a result of giving assets vs. giving cash, $259,000 MORE would go to charity and $368,000 less would be payable in taxes!

Assumed Tax Rates:
Capital Gain – 20% federal, 5% state, 3.5% NIIT
Ordinary Income – 37% federal, 5% state
Using business to fund charity

There are significant benefits when your clients donate a portion of their business or business interest to charity. They typically receive a substantial tax deduction, and potential taxes on NCF’s portion of the company’s future income may be reduced, resulting in more money for charity. When the business is subsequently sold, NCF will likely pay less in potential taxes, putting more in your clients’ Giving Funds for granting.

### THE BENEFITS

- Maximize any potential liquidity event by preserving the full fair market value of the gifted asset for charitable impact
- Utilize the annual charitable deduction for non-cash asset gifts (up to 30% of AGI), thereby increasing cash flow
- Mobilize tax-efficient income on NCF’s portion of future income for granting to charities (NCF may have up to 60% tax savings on pass through taxable net income during ownership)
- Avoid or reduce potential capital gains taxes on the gifted portion, moving more dollars to charity

### THE RESULTS

This table shows the impact of giving a 20% interest in a $5M C-corp (with a $100,000 basis) prior to a potential sale.

<table>
<thead>
<tr>
<th></th>
<th>Family</th>
<th>Taxes</th>
<th>Charity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell then give cash</td>
<td>$3,172,000</td>
<td>$1,110,000</td>
<td>$718,000</td>
</tr>
<tr>
<td>Give stock then sell</td>
<td>$3,291,000</td>
<td>$709,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$119,000</td>
<td>($401,000)</td>
<td>$282,000</td>
</tr>
</tbody>
</table>

As a result of giving assets vs. cash, $282,000 MORE would potentially go to charity while increasing net cash flow by $119,000 for more.

*Assumed Tax Rates:*
- Capital Gain – 20% federal, 5% state, 3.5% NIIT
- Ordinary Income – 37% federal, 5% state
Including charitable giving in a business exit strategy

As part of your clients’ long-term business planning, consider helping them gift business interests to NCF within the context of their giving strategy. Then at a later date, employees, children, or a third party may offer to purchase the gifted interest for fair market value. The proceeds are then available in your clients’ Giving Funds for them to recommend grants to their favorite charities and causes.

<table>
<thead>
<tr>
<th><strong>Benefits of giving business interests</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Create a charitable deduction with the business interest, rather than directly transferring it to employees, kids, or a third party in a taxable sale or buyout</td>
</tr>
<tr>
<td>• At a later date, employees, children, or a third party may offer to purchase the gifted interest for fair market value, and the proceeds would then be available in a Giving Fund at NCF to send to charities</td>
</tr>
<tr>
<td>• Maximize any potential liquidity event by preserving the fair market value of the gifted asset for charitable impact</td>
</tr>
<tr>
<td>• Eliminate or reduce potential capital gains taxes on the gifted portion, moving more dollars to charity</td>
</tr>
<tr>
<td>• Use charitable deductions reserved for non-cash assets (up to 30% of AGI usable against income for six years total, including the year of the gift)</td>
</tr>
<tr>
<td>• Reduce potential current-year income taxes via a larger charitable deduction, increasing cash flow</td>
</tr>
</tbody>
</table>
Charitable estate planning

Upon death, there are typically three places assets can pass: family/friends, charity, or the government. For families with exposure to the federal estate tax, thoughtful planning may significantly reduce or potentially eliminate the estate tax liability and enable them to redirect those reduced taxes for charitable impact.

CONSIDERATIONS FOR MAXIMIZING GIVING AND REDUCING ESTATE TAXES

1. Quantify the desired lifestyle for your client and their spouse: How much do they need to support their lifestyle for the remainder of their lifetime? What is their financial finish line?

2. Determine and quantify an appropriate inheritance for children and grandchildren: What amount of inheritance is more likely to be a blessing than a burden?

3. Secure the target inheritance with appropriate gift and estate planning strategies and techniques. Often, basic estate planning strategies are sufficient to secure an appropriate inheritance and reduce estate tax.

4. Gift or bequest “excess wealth” to charity and eliminate or reduce estate taxes.

5. Why wait? Begin to shape your charitable legacy now and potentially minimize annual income taxes by making lifetime charitable gifts.
Complementing a family foundation with a donor-advised fund

As a complement to a private foundation, a donor-advised fund (Giving Fund) at NCF provides a variety of ways to enhance giving and granting opportunities.

**Giving opportunities:**
- Fair market value deduction for asset gifts
- Higher AGI deduction limits

**Granting opportunities:**
- Make anonymous grants to retain privacy
- Manage all of your giving online, anytime from your computer or mobile device
- Reduce paperwork and complexity
Managing investments through Separately Managed Accounts

A Separately Managed Account (SMA) is a flexible investment option that allows Registered Investment Advisors to provide investment services to clients with the charitable dollars in their NCF Fund. SMAs are best suited for givers who have large ongoing Fund balances, longer-term charitable giving horizons, and the desire for their Fund balance and charitable impact to grow over time.

**BENEFITS OF AN SMA**

- Customized, flexible investment options for assets in your clients’ Giving Funds at NCF
- Continuity between you and your clients’ financial and charitable giving plans
- Flexibility for your clients to create their own investment goals and design unique, custom strategies to achieve their charitable goals
- Potential to grow charitable dollars tax-free, for maximum charitable impact

**NEXT STEPS**

- Connect with your NCF team to discuss whether an SMA is the appropriate vehicle to accomplish your clients’ charitable goals (their NCF Fund must have a minimum balance of $300,000)
- Establish an SMA at NCF, then immediately manage and invest the assets in the Fund
- 5% of the Fund balance will be maintained as cash in the Fund, so that money is available immediately for granting as needed
A comparison of giving vehicles

<table>
<thead>
<tr>
<th>TAX DEDUCTIONS</th>
<th>DONOR-ADVISED FUND</th>
<th>SUPPORTING ORGANIZATION</th>
<th>PRIVATE FOUNDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>What’s the deduction for cash gifts?</td>
<td>Up to 60% adjusted gross income</td>
<td>Up to 60% adjusted gross income</td>
<td>Up to 30% adjusted gross income</td>
</tr>
<tr>
<td>For publicly traded securities (held long-term)?</td>
<td>Up to 30% adjusted gross income</td>
<td>Up to 30% adjusted gross income</td>
<td>Up to 20% adjusted gross income</td>
</tr>
<tr>
<td>For other non-cash appreciated assets (held long-term)?</td>
<td>Fair market value up to 30% adjusted gross income</td>
<td>Fair market value up to 30% adjusted gross income</td>
<td>Adjusted cost basis up to 20% adjusted gross income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CONTROL &amp; ADMINISTRATION</th>
<th>DONOR-ADVISED FUND</th>
<th>SUPPORTING ORGANIZATION</th>
<th>PRIVATE FOUNDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is my client’s role?</td>
<td>Advisory privileges; ultimate control by the sponsoring organization</td>
<td>Neither giver nor family can appoint/control more than 49% of the board; participation in board selection is allowed</td>
<td>You and your family can control/appoint 100% of the board</td>
</tr>
<tr>
<td>What control do they have over grants and assets?</td>
<td>You recommend grants and investment options but NCF has overall control</td>
<td>You recommend grants and investment options but the board has ultimate control</td>
<td>The board has complete control of all grants and investments (subject to self-dealing rules)</td>
</tr>
<tr>
<td>Can they employ and pay staff?</td>
<td>No</td>
<td>Yes, subject to reasonable compensation limits but not to substantial contributors</td>
<td>Yes, subject to reasonable compensation limits</td>
</tr>
<tr>
<td>Can they reimburse expenses?</td>
<td>No</td>
<td>Yes, can pay expenses but cannot reimburse substantial contributors</td>
<td>Yes</td>
</tr>
<tr>
<td>Can they grant to individuals?</td>
<td>No</td>
<td>Yes, subject to IRS regulations</td>
<td>Yes, subject to IRS regulations</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>PRIVACY</th>
<th>DONOR-ADVISED FUND</th>
<th>SUPPORTING ORGANIZATION</th>
<th>PRIVATE FOUNDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can they grant anonymously?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>TAX REQUIREMENTS</td>
<td>DONOR-ADVISED FUND</td>
<td>SUPPORTING ORGANIZATION</td>
<td>PRIVATE FOUNDATION</td>
</tr>
<tr>
<td>------------------</td>
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<tr>
<td>Do they have to pay investment excise taxes?</td>
<td>No</td>
<td>No</td>
<td>Yes, up to 2% of net investments income</td>
</tr>
<tr>
<td>What annual tax forms do they need to file?</td>
<td>None</td>
<td>Form 990 and state filings</td>
<td>Form 990-PF and state filings</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>INVESTMENT OPTIONS</th>
<th>MORE</th>
<th>MOST</th>
<th>LEAST</th>
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</thead>
<tbody>
<tr>
<td>Can they invest in NCF’s pools?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Can they invest through brokerage accounts?</td>
<td>Yes, through our SMAs (separately managed accounts)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Can they invest in impact investments?</td>
<td>Yes, with additional screening and approval</td>
<td>Yes</td>
<td>Yes</td>
</tr>
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<thead>
<tr>
<th>COST</th>
<th>LEAST</th>
<th>MORE</th>
<th>MORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there start-up costs?</td>
<td>No</td>
<td>Yes, legal and state fees for incorporation (no IRS filing under NCF’s group exemption)</td>
<td>Yes, legal and state fees for incorporation, IRS Form 1023</td>
</tr>
<tr>
<td>What are the ongoing administration and management costs?</td>
<td><strong>Giving Fund</strong>: starts at 100 bps, minimum of $20 per month</td>
<td>Starts at 100 bps and scales down, additional costs for board service ($10,000 annually) and other administrative functions</td>
<td>Costs for accounting, legal, investment, and general administration</td>
</tr>
<tr>
<td><strong>Cornerstone Fund</strong>: starts at 44 bps and scales down, minimum of $950 per month</td>
<td></td>
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<td></td>
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1. Substantial contributors are defined in IRC §507(d)(2)(A) and IRC §4946.
2. Combining with a donor-advised fund can achieve partial privacy and anonymity.
* Information in the chart is based on federal laws as of the date of this printing. These laws are subject to change and can affect the accuracy of this information.
Do your clients need a Giving Strategy™?

At NCF, we believe giving is much more powerful with an intentional strategy. A Giving Strategy based on biblical principles can help your clients give with greater kingdom impact, leave a more meaningful legacy, cultivate unity in their family, and maximize what they have to give.

Explore how a Giving Strategy can help you serve your clients in exciting new ways at ncfgiving.com/givingstrategy.

Biblical foundation for giving
Inside Giving

Webinar series for professional advisors

Join us each quarter for Inside Giving, a webinar series for advisors hosted by the charitable giving team at NCF.

In each 90-minute webinar, you will have the opportunity to grow in your knowledge of non-cash giving, strengthen client relationships, and earn 1.5 hours of CFP® and CKA® credit. Certificates of Completion are available upon request.

See upcoming webinars and register today at ncfgiving.com/insidegiving
Growing generosity nationwide

Every day from coast to coast, NCF local teams serve givers, advisors, charities, and churches with innovative giving solutions from an experienced team of charitable giving professionals.

Connect with your NCF team today at ncfiving.com or 800.681.6223

$14.5 billion in grants to charities since 1982

With hearts set on getting money to charities fast, the NCF community of givers has one of the highest grantmaking rates of all donor-advised fund providers.

$4.5 billion in complex gifts received

With an in-house team of experienced professionals, we’ve received more than 2,700 complex gifts such as business interests and real estate.

300+ team members ready to serve

Every day, our local NCF teams serve givers, advisors, charities, and churches with innovative giving solutions from an experienced team of charitable giving professionals.

71,000+ charities and churches supported

From youth ministry to homelessness, evangelism to adoption, human trafficking to disaster relief ... the causes NCF givers support are as endless as the imagination.