

TALENTS

Proving Faithful in Stewardship
Matthew 25:14–30

WHEATON COLLEGE GIFT PLANNING NEWSLETTER

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Some of the most wonderful things in life serve more than one purpose or come with an added bonus. When an opportunity provides two benefits simultaneously, we might say that

it is “the best of both worlds.” A few culinary examples come to mind: a sushi burrito, a taco pizza, and a Cronut (a croissant-doughnut hybrid)!

When it comes to charitable giving, life income agreements such as gift annuities and charitable remainder unitrusts provide the best of both worlds: they provide a stream of lifetime income AND a substantial charitable gift that supports the organization’s work and mission. In addition to these benefits, donors also receive a charitable income tax deduction, and if the gift was funded with appreciated assets, donors will avoid the capital gains tax that would have been due on a sale of the assets. In this edition of *Talents*, we will discuss specifically how gift annuities and charitable remainder unitrusts really can be the best of both worlds for you and for your favorite charities.

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Gift annuities and charitable remainder trusts (CRUTs) are planned gifts that offer benefits to donors and charities alike—truly a win-win! They provide lifetime income to donors and meaningful gifts to charity. Donors also receive a charitable deduction. It can be used in the year of the gift, and any unused portion can be used for up to five years. Both gift annuities and CRUTs can be funded with cash or appreciated securities. Appreciated real estate can also be used to fund a CRUT. Using appreciated assets is an excellent way to avoid capital gains tax. Wheaton College gift annuities begin with a contribution minimum of \$10,000, while CRUTs begin at \$100,000.

Gift Annuities

When you contribute to a gift annuity, Wheaton agrees to provide you (and possibly another person) fixed lifetime payments. Payments will not fluctuate with market changes. Payment rates depend on age and the timing of your contribution. In addition to cash or appreciated securities, starting in 2023, IRAs can be used to fund gift annuities if you are 70 ½ or older. The rules are a bit different for this new option, so if you are interested in learning more, please contact us for more information.

Gift annuities can be *current* with payments beginning immediately or *deferred* with payments beginning a minimum of one year out. Generally, deferred gift annuities provide higher payment rates. Here is an example of how a gift annuity works:

Married couple Sally and Mark, both age 75, wish to supplement their retirement income. They have highly appreciated stock worth \$50,000 that they purchased over 20 years ago for \$10,000, that is not paying them dividends. If they sold the stock, they would owe significant capital gains tax on the gain. They opt to fund a two-life Wheaton College gift annuity with the stock. They receive a charitable income tax deduction of over \$20,000 in the year they set up the gift annuity, and they will receive lifetime annual payments at a rate of 5.8% or \$2,900. Of that amount, approximately \$355 is tax-free until the end of 2038, while about \$1,430 is taxed as long-term capital gain and about \$1,115 is taxed as ordinary income (after 2038, payments are fully taxable).*

Sally and Mark avoid the capital gains impact that would have resulted from a sale. After the second spouse's death, Wheaton will receive a substantial gift to support its mission.

Now is a great time to establish a gift annuity, as rates just increased again! Please contact us for a complimentary personalized illustration.

**Rates and figures are specific to April 2023 and subject to change.*

Charitable Remainder Unitrusts

Charitable Remainder Unitrusts (CRUTs) provide similar benefits to gift annuities, but with a few distinctions. Setting up a CRUT requires the



assistance of an experienced attorney, but it allows for additional flexibility, including the option to fund with appreciated real estate and the ability to support more than one charity. Donors receive a charitable income tax deduction for the charitable portion. Once the CRUT is established, the Wheaton College Trust Company can act as trustee, managing the trust for its duration. CRUTs can be set up for a donor's lifetime or for a specific period of up to 20 years. Payments are at a fixed rate, typically 5% of the value of the trust assets, as revalued annually, so the dollar amount is variable. Assets used to fund the CRUT are reinvested in a diversified portfolio, with the hope of increasing the trust's value over time.

The federal estate and gift tax exemption is currently over \$12 million per individual. It is significant to note that the exemption amount will be reduced to approximately \$6 million per person due to the expiration of certain provisions within the Tax Cuts and Jobs Act of 2017, unless further legislation is enacted. Estate tax rates can be fairly onerous, up to 40 percent of amounts exceeding the exemption. For federal estate tax planning, funding a CRUT or gift annuity can reduce or eliminate the estate tax burden, while still providing a lifetime income flow. Consulting with your own professional advisors is essential.

Both of these giving strategies offer the best of both worlds for donors and charities alike, and we hope that you'll consider how they might help you achieve your charitable goals.

WHEATON COLLEGE TRUST COMPANY, N.A.

Did you know that Wheaton has a national bank? Wheaton College Trust Company, N.A., exists to advance Wheaton's mission. The Trust Company can provide executor and trustee services for donors who have made or intend to make significant planned gifts in support of Wheaton College. Please contact our office to learn more about these services and tax-advantaged gifts that provide lifetime income.

Phone 630.752.5332

Email gift.plan@wheaton.edu

Website wheaton.edu/giftplan.

LEGACY SCHOLARSHIP

When you think about the legacy you want to leave, have you considered establishing a scholarship that will benefit future Wheaton students? Both need-based and academic scholarships help provide students with opportunities to learn in Wheaton's Christ-centered environment as they prepare to make a difference in the world.

Even if you don't set up a scholarship right now, you can create a legacy scholarship through your Will, trust, or retirement plan that will be funded through your estate at your death. Changing your retirement plan beneficiary designation can be one of the easiest ways to do this. You can name a scholarship for your family or to honor the memory of a loved one. For more information on this opportunity to leave a lasting impact through a legacy scholarship, please contact us.

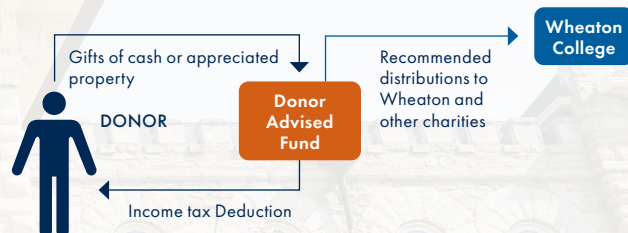
INFORMATION SHEETS

Please contact us to request any of the following:

- Estate Review
- Gift Annuities
- Gift Planning Services
- Qualified Charitable Distributions (QCDs)
- Strategic Giving
- Charitable Remainder Trusts (CRUTs)
- Donor Advised Funds (DAFs)
- Giving Through Your Estate
- Non-Cash Gifts
- Remainder Interest in Personal Residence or Farm
- Giving From IRAs or Other Retirement Accounts
- Wheaton College Trust Company (WCTC)

Donor Advised Fund

The Wheaton College Donor Advised Fund (DAF) is a flexible and convenient giving tool for those who support Wheaton College and other charities by serving as a short-term or long-term account for various charitable donations. Donors can contribute cash or appreciated property, receive an income tax deduction, and make recommendations for distributions to their favorite charities over time. The DAF will liquidate non-cash assets and then make cash distributions to charities. This provides an added benefit for those who make recurring gifts to churches or other charities that can only receive cash gifts.



Long-term accounts are invested through the Wheaton College Trust Company in the same well-managed investment pools as Wheaton's endowment. In addition, a DAF is a great alternative for those who find the management of a private foundation to be burdensome.

Learn more by visiting wheaton.edu/daf or contact our office at 630.752.5332 or gift.plan@wheaton.edu.



**WHEATON
COLLEGE**
For Christ & His Kingdom

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wheaton.edu/giftplan | 630.752.5332 | gift.plan@wheaton.edu