Paying It Forward: Philanthropy Matters

10 Strategies for Year End 2021

Franklin College
Making a Difference in 2021—and for Years to Come

For many of us, sharing and caring take center stage in our busy lives at the end of the year. We celebrate traditions, and we are reminded of our desire to make a positive impact for communities we care about.

Year-end gifts are important to organizations like ours. It is worth remembering, however, that year-end planning and giving can be much more than a way for you to satisfy a philanthropic goal and help us today. You can also plan gifts that make a difference in the years to come.

Following are brief descriptions of planning and giving ideas that can be helpful to you this year and in the future. Please let us know if we can provide additional information or help you in any way. Thank you for your thoughtfulness and generosity.

Planning Tips for Charitable Giving

1. **Gifts of Appreciated Stock or Mutual Fund Shares**

Making a gift of appreciated stock or mutual fund shares (held for more than a year) provides greater tax savings than a gift of cash. These gifts can generate an income tax charitable deduction for the full fair market value of the shares and allow you to completely avoid long-term capital gains tax on the appreciation. Leveraging the untaxed gain can substantially reduce your taxes.

_Talk to: tax advisor/Franklin College_

_Securities/funds to consider_

2. **Use Your Donor-Advised Fund to Make an Impact Today**

If you have a donor-advised fund (DAF), you know it is a unique giving tool. At any time, you can recommend a distribution to Franklin College. Your gift comes from funds you have already set aside for charitable purposes, so there is no impact on your current budget. Please let us know if you are
considering a distribution from your donor-advised fund. We would like to thank you and make certain we understand any specific goals for how your gift is used.

Talk to: DAF administrator/Franklin College

3. Make the Most of Your Deductions
Recognizing that taxpayers typically respond to a crisis by looking for ways to help others, Congress introduced two specific provisions in 2020 that were then extended for 2021. First, taxpayers who do not itemize may take a $300 above-the-line deduction for cash gifts to charity ($600 for couples filing jointly). Second, for those who itemize deductions, Congress raised the limitation from 60% of AGI to 100% for gifts of cash. Taxpayers who want to make the most of this temporary increased deduction limit may find it makes sense to “bunch” donations planned for multiple years into the 2021 tax year.

Talk to: attorney/accountant/Franklin College

4. Charitable Gift Annuities
One very popular life income gift is a charitable gift annuity. In exchange for your gift, you qualify for an immediate income tax charitable deduction and receive fixed payments for life.

Talk to: tax advisor/attorney/Franklin College

| Sample gift annuity rates for individuals |
|------------------|---|
| age 90           | 8.6% |
| age 85           | 7.6% |
| age 80           | 6.5% |
| age 75           | 5.4% |
| age 70           | 4.7% |

Please check with our office to confirm rates.
5. A Gift from Your IRA
You can make a gift directly from your IRA that provides immediate support for our work. IRA owners age 70½ or older can simply instruct an IRA custodian to transfer funds through a qualified charitable distribution (QCD) directly to us. There is no deduction for your gift, but no income tax is due on the transfer. The QCD aggregate annual limit is $100,000—subject to limitations.

Talk to: tax advisor/IRA custodian

6. Charitable Remainder Trusts
A charitable remainder trust (CRT) can reduce taxes by converting highly appreciated assets (e.g., stock or real estate) into a lifetime income stream. You simply transfer assets to an irrevocable trust. This removes the assets from your estate and provides an immediate income tax deduction for itemizers. The trustee pays you (or others you choose) a lifetime income. At death (or at the end of the stated trust term), remaining assets are transferred to charity.

Talk to: attorney/Franklin College
Maximize Opportunities for Tax Deferral

7. Retirement Funds
Have you fully funded your IRA or deferred the maximum allowable contribution under your employer-sponsored retirement plan? Remember, if you are age 50 or older, 2021 catch-up provisions let you contribute an additional:

- $1,000 to your IRA (for a total of $7,000) or
- $6,500 to your 401(k) plan (for a total of $26,000).

Talk to: employer/IRA custodian

8. Health Savings Accounts
Have you contributed the maximum amount to your Health Savings Account? Even though you may not currently need the funds for medical expenses, any contributions you make are tax deferred, grow tax free, and can never be forfeited.

Talk to: employer

9. Flexible Spending Accounts
Have you used up all of the contributions you made this year to your Flexible Spending Account (FSA)? These tax-deferred contributions offer an opportunity to avoid tax when paying for expenses such as child care or medical costs. If your employer offers an FSA and you did not contribute this year, now is the time to determine if you should take advantage of this opportunity next year.

Talk to: employer

10. Education Expenses
Have you contributed to a 529 plan? This is a good way to plan for future tax savings. There is no federal income tax deduction for contributions, but money invested grows tax free, and children or grandchildren will not pay income tax on these funds when they’re withdrawn to pay for qualified education expenses. Some states exempt contributions from state income tax.

Talk to: financial advisor/attorney
2021 Tax Preparation Checklist

- Copy of 2020 tax return
- Social Security numbers
- W-2 forms from all employers
- 1099-INT forms showing interest payments received
- 1099-G form showing any refund, credit, or offset of state/local taxes
- Receipts pertaining to a business (if the taxpayer is a small business owner)
- 1099-DIV and 1099-R forms
- Other income receipts: rental real estate, royalties, partnerships, S corporations, trusts
- Social Security benefits documentation
- Medical/dental expenses
- Receipts for taxes paid from state, local, real estate, personal property
- Form 1098 mortgage interest and points
- Receipts for charitable contributions and gifts ($300 above-the-line deduction available to non-itemizers, $600 for married filing jointly)
- Casualty and theft loss documentation

Nora Lowe Brems ’87
Director of Planned Giving

101 Branigin Boulevard
Franklin, Indiana 46131-2623
317.738.8864 office
513.205.2324 mobile
NBrems@franklincollege.edu