Linking Lifetime and Legacy Giving

By Susan L. Peterson

"Give now, don't endow."

This catchphrase captures a growing trend in philanthropy that has charitably-inclined people focused on seeing their money make a significant impact while they are alive, rather than leaving behind a private foundation or creating an endowment that won't begin to create change until after they are gone.

"Giving while living" is a phrase that Chuck Feeney, founder of the Duty Free Shoppers Group, uses when he talks about what he calls "limited-life philanthropy." Feeney makes "big bets" with the notion that if you act sooner and act in a big way, you can have an accelerated impact. "There will always be more wealth that's going to be devoted to philanthropy in the future, so why wait?" he says. "Put your money to good use now."

And better yet, create an estate plan that links your lifetime giving and your legacy giving in ways that benefit your family *and* the causes you care about most.

Why Lifetime Giving?

Today's philanthropists want to apply the same acumen and business skills that they used to earn their wealth to the work of distributing their wealth. At Seattle Foundation, we often hear that donors also want to personally engage in philanthropy with spouses, children and grandchildren as a means to strengthen family ties, pass on the family's key values and build a tradition of giving.

The economic prosperity in our region over the last 30 years has generated life-changing wealth events for people at younger ages than in prior generations. A significant jump in wealth - through successful investments, inheritance or the sale of a company - tends to trigger more philanthropy. Making donations during life can offer both income tax and estate tax benefits. Selecting the right assets to donate can also expand available tax benefits. For example, lifetime gifts of appreciated assets to a public charity generally eliminate the recognition of capital gains, generate an income tax deduction and reduce the size of the taxable estate.

Connecting Lifetime and Legacy Giving

One strategy that links lifetime giving, family involvement and potential tax benefits is the "Donor Advised Fund." This is a fund established through a public charity, often a community foundation or the charitable arm of a national financial services firm. Donors contribute cash or appreciated assets to the fund, receive an immediate tax benefit and then recommend grants from the fund over time. This allows you to support the causes you care about through lifetime giving and continue your philanthropic legacy after death, leaving the reminder of the fund to your favorite organizations as either a one-time gift or an endowment. Alternatively, you can extend your philanthropy through children or grandchildren by naming them successor advisors on your donor advised fund. The fund can be as prescriptive or unrestricted as you desire, but it is critical that your intentions are fully documented.

One longtime Seattle Foundation philanthropist used such a method to link her lifetime and legacy giving through a donor advised fund. Her estate plan created a donor advised fund for each of her six grandchildren upon her death. The grandchildren, who were between ages 15 and 30 when she died, are now beginning their own philanthropic journey, inspired and funded by the legacy of their grandmother.

The Philanthropic Question: How Much?

However structured, lifetime and legacy giving ultimately pose the same question: how much? It can be challenging to arrive at a comfortable allocation between the money you'll need to live on, money for your loved ones' inheritance and money for philanthropy. Experienced financial planners can help determine the fiscal requirements for a secure, comfortable retirement. Based on that, you can consider a variety of approaches to allocate the remaining funds. These might include:

A Specific Bequest: Simply decide on a specific dollar amount or percentage for philanthropy and include this in your will.

Thinking of Charity as "Another Child:" Divide your remaining assets into as many shares as you have children, then add one - your charitable beneficiaries.

The Inheritance of Giving: Cap the amount that you give to your loved ones to spend *personally*, and permit them to spend the remaining amount *philanthropically*, through a donor advised fund.

Donate Your Taxable Estate to Charity: Give loved ones the maximum amount they can receive without triggering estate tax and allocate the excess to charity, which will pass tax-free under the charitable deduction.

However you choose to structure your lifetime and legacy giving approach, remember the most meaningful way to link these two channels of philanthropy is through a well-documented plan that is clearly communicated with all of your beneficiaries and understood by your family.

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