



Fundamentals of Planned Giving

Part Two: Basic Planned Giving Methods

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Time: 1:00 – 2:30 Eastern



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Agenda

- Charitable Bequests
- Qualified Retirement Plan Assets
- Life Insurance
- Bargain Sale
- “Family Foundations”

Charitable Bequests

- Testamentary gifts – transfer made upon death, revocable during lifetime
- Charitable bequests – specific, contingent, remainder
- Considerations regarding restrictions
- The “probate” process

Beneficiary Designations

- Directs the remainder (or a portion of it) to charity upon the death of the account owner
- Applicable to most financial accounts (bank, savings, investment) and many financial instruments (annuity contracts & insurance policies)
- Similar to a charitable bequest, but easier: no need to write or amend a will or trust
- “POD” = pay on death
- “TOD” = transfer on death

Qualified Retirement Plans

- “Custody” account – accepts contributions of pre-tax income, holds and invests the funds on a tax-deferred basis
- Withdrawals are taxed as ordinary income
- Purpose: provide retirement income – not to encourage savings or build estate value
 - Before 59½: 10% early withdrawal penalty
 - After 73: Minimum required distributions

Qualified Retirement Plans

Donor, with an estate of \$500,000 including an qualified retirement account worth \$100,000, plans a charitable bequest of \$100,000

	Regular charitable bequest	Account to charity
Combined value of estate	\$500,000	\$500,000
Retirement account to charity	n/a	- \$100,000
Income tax due on retirement account (assume 30%)	- 30,000	-0-
Charitable bequest	- 100,000	n/a
Remainder to heir	\$370,000	\$400,000

Retirement Plan – Contribution at Death

Notes:

- Expedited payment to charity
- Distribution must be directly from plan, not a provision in a will
- Consider coordinating provision in the will
- Careful planning for married couples

Retirement Plan – Lifetime Gifts

Simply withdraw money from qualified plan, then contribute cash to charity

- Assuming over age 59½, should be a wash:
 - Withdrawal creates taxable income
 - Contribution creates offsetting deduction
- Complexities of standby withholding, timing, AGI limits, tax reporting

Qualified Charitable Distribution (QCD)

The “IRA Charitable Rollover” – transfer up to \$111,000* from IRA to charity with no income tax on withdrawal

- Donor must be age 70½ or older
- Outright contribution (no life income plans)
- Transfer must be from the IRA administrator directly to the charity
- No supporting organizations, private foundations, or donor advised funds

* In 2026, adjusted for inflation each year

QCD plus RMD ... age 70½ versus 73

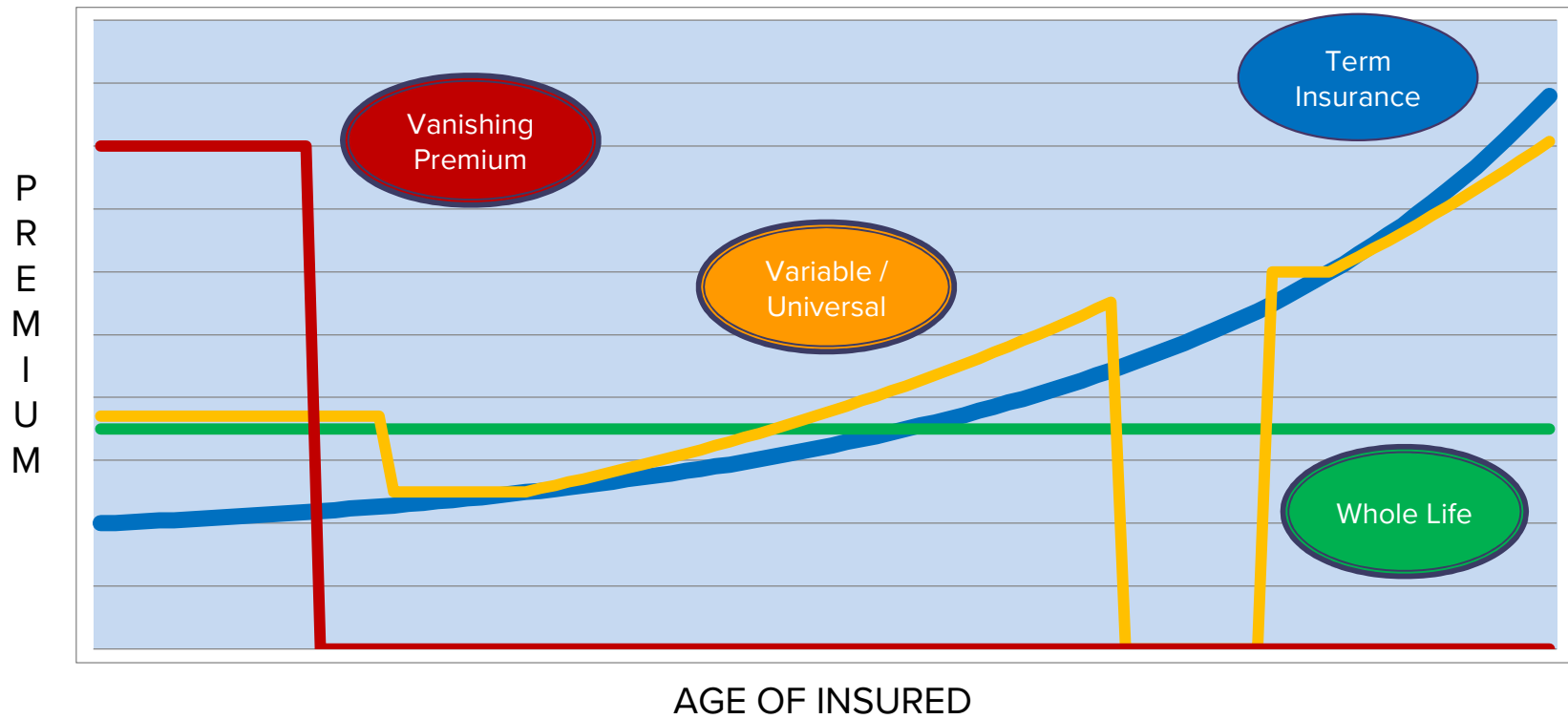
- 70½ – donor can start making QCD contributions
- 73 – donor must start taking RMDs
 - RMDs create taxable income
 - 25% penalty for failure to take the RMD
- QCDs count toward the RMD without creating taxable income

Should a donor without an RMD consider a QCD?

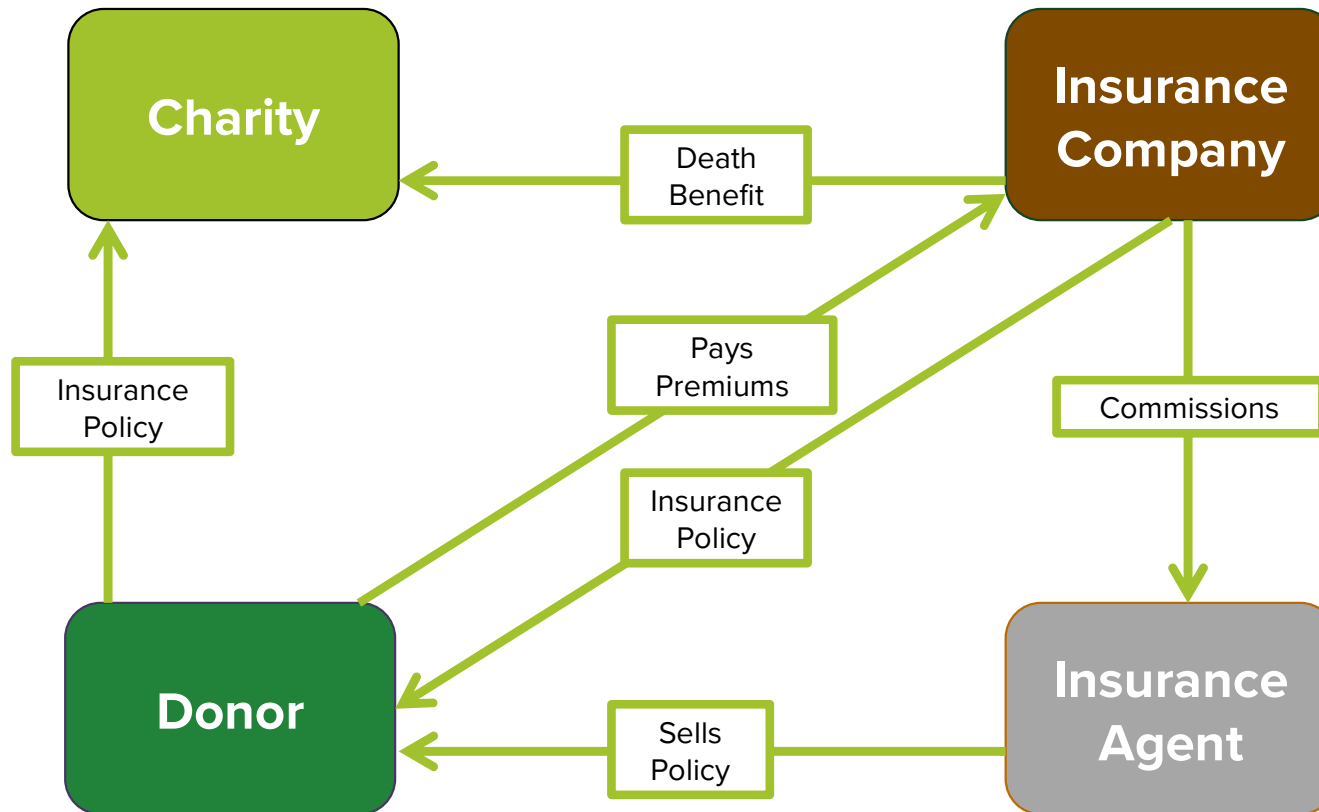
Life Insurance Policy

Insurer	Owner	Insured	Beneficiary
Promises to pay an amount of money (the death benefit) upon the death of the insured	Buys and (usually) pays for the policy; has right to change beneficiary and to give away ownership	The one upon whose death the insurer will pay the death benefit	The one to whom the death benefit will be paid

Life Insurance Premiums



Life Insurance Outright Gift



Life Insurance – Other Considerations

- Charity must be named beneficiary to receive death benefit
- Income tax deductions if donor transfers ownership to charity
 - Value of policy at time of gift
 - Future premium payments
- Charity is not obligated to make premium payments – need to manage donor's expectations
- Outstanding policy loans, conditions may reduce value of death benefit
- Policies are valuable assets, should be periodically reviewed and evaluated

Bargain Sale

- Donor sells property to charity for something less than the full fair market value of the property
- Charitable deduction for difference between the fair market value and the sale price
- Donor will be liable for capital gains tax on portion of capital gain – cannot contribute the gain only

Bargain Sale Example

- FMV = \$50,000, cost basis = \$20,000
- Donor sells to charity for \$10,000
 - Charitable deduction = \$40,000
 - \$50,000 - \$10,000
- Donor pays capital gains tax on \$6,000
- Capital gain = \$30,000
- $(\$30,000 / \$50,000) \times \$10,000 = \$6,000$

DAF vs. Private Foundation

	Donor Advised Fund	Private Foundation
Tax-exempt status	Fund account held by an established public charity	Separate tax-exempt entity (trust or corporation)
Charitable deduction limit	60% cash 30% appreciated property	30% cash 20% appreciated property
Donor control of distributions	Donor can recommend distributions; final decision made by the sponsoring charity	Controlled by the governing board, limited by private foundation rules
Minimum distribution	No requirement	Minimum 5%
Donor privacy	Can be anonymous	Requires significant public disclosures
Administration	Provided by sponsoring public charity	Entity provides accounting, files tax returns, etc.

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Still Have a Question?

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