

Combining Charitable Remainder Trusts with Retirement Plans or IRAs At Death

By naming a charitable remainder trust as the beneficiary of a qualified retirement plan or IRA at the death of the owner of the QRP or IRA, an individual can escape the income taxes that would otherwise be assessed, provide income to a spouse or children, and reduce estate taxes.

8. REAL ESTATE GIFTS AND THE COMMUNITY FOUNDATION

Real estate gifts often involve a variety of special considerations. Potential environmental hazards, marketability challenges, assessments, easements, split interest, liens, debts, and other factors often encumber a potential gift of real estate.

The Board of Directors reviews all proposed real estate gifts, whether as direct gifts, within a charitable trust, or as a part of a life estate. Nonprofit organizations throughout Southern Wisconsin can benefit from this expertise in combination with funds at the Community Foundation.

A Remainder Interest in a Home or Farm

Given the inflation in property values over the past few decades, many persons have substantial portions of their net worth tied up in their homes. A life estate contract can allow a client to increase current income by the virtue of the current charitable deduction, remain in the home during his or her lifetime, and provide a substantial gift to charity at death.

Through a retained life estate, a client commits a primary residence, vacation home, or farm to pass to charity at death (giving the charity a remainder interest) while retaining its use during his or her lifetime.

Clients who may find value in the retained life estate:

- The client who could use an up-front charitable deduction for the remainder value of the property, thus increasing their current income.
- The client who seeks to reduce estate taxes.
- The client who wants to relieve heirs of the burden of disposing of the property.

As with the charitable remainder trust, the donor can use a portion of his or her increased current income to purchase life insurance to replace the value of the property for the heirs.