

GIVING SEASON 2019: GIFTS THAT TRANSFORM, AND TRANSFORMED BY GIVING

Giving season is upon us. And there is some catching up to do. Giving in 2018 dipped slightly from 2017, which begs the question: How will 2019 measure up?

Gifts have the power to transform. And the transformation is bidirectional, impacting the recipient and the donor. Philanthropy also has the additional benefit of being tax-favored for individuals, corporations and estates at death. With talk of a wealth tax on the campaign trail, would there be a charitable deduction to such a potential tax?

CONSIDERATIONS FOR MAKING TRANSFORMATIONAL GIFTS

ASSESSING THE IMPACT OF TRANSFORMATIONAL GIFTS

Intentional giving has the potential to impact individuals, families and communities – everything from education to health to the arts. Consider education, often viewed as a gateway to opportunity. While giving to education accounted for 14% of giving in 2018 and totaled \$58.72 billion, this amount represents a 13% decline from 2017.ⁱ As colleges and universities seek to make higher education accessible without regard to family income or wealth, the importance of endowment to bridge the funding gap has escalated. While the need has been filled with transformational gifts at some schools,ⁱⁱ many are earnestly seeking endowment resources.

When making gift choices, impact matters. An individual life changed, a family, a community. Improved education levels, health, standards of living. Impact data is available for education, health and other areas of giving.

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It can pay to do research. Check the IRS website for tax qualified status (IRS.gov Tax Exempt Organization Search). Visit state charitable organization registration websites for resources and guidance. Confer with an impact consultant. The level of research will vary, but in all instances be wary of uninvited solicitations via email, phone or at the front door. The vast majority of organizations are as they appear, but not all.

GIVING CIRCLES: MAKING AN IMPACT WITH COLLECTIVE GIFTS

Large individual gifts clearly have transformational impact potential. And so do many smaller gifts. Gifts of all sizes matter. Giving circles are one means of leveraging the power of collective gifts. A giving circle is a group of individuals who agree to pool resources earmarked for charitable giving and decide together which communities or nonprofit organizations will receive the pooled gift. Ninety percent of giving circles have been established since 2000, and, collectively, giving circles have made more than \$1 billion in grants.ⁱⁱⁱ Giving circles range in size from a handful of members to several hundred, and have become a popular way for younger donors to combine philanthropic resources and “give together” with a network of their peers. For a deeper discussion of giving circles and other giving activities, see [*Engaging the Next Generation in Philanthropy*](#), by Marguerite Griffin and Kelli Garcia of Northern Trust Philanthropic Advisory Services.

HOW MUCH TO GIVE WHEN MAKING A TRANSFORMATIONAL GIFT

Different individuals have different capacities to give. An important step in making giving decisions is to understand our capacity to give. What level of income and wealth do we desire for our own and our family’s lifestyle and well-being? How does our intended giving level align with that desire? There are important questions to ask and to answer with advisors.

WHAT AND HOW TO GIVE WHEN MAKING A TRANSFORMATIONAL GIFT

Gifts of time, talent and treasure may all have a transformational impact. **In this year of strong market performance, gifts of appreciated marketable securities are a choice to consider.** If properly documented and reported, the full fair market value of a gift of marketable securities may be deducted for individual income tax purposes with no associated capital gain tax.

Visit state charitable organization registration websites for resources and guidance. Confer with an impact consultant.

The individual income tax deductions for charitable gifts are subject to limits measured by adjusted gross income—

30%

FOR GIFTS OF MARKETABLE SECURITIES OR OTHER PROPERTY TO PUBLIC CHARITIES

60%

FOR CASH GIFTS TO PUBLIC CHARITIES

20%

FOR GIFTS OF MARKETABLE SECURITIES OR OTHER PROPERTY TO PRIVATE NON-OPERATING FOUNDATIONS

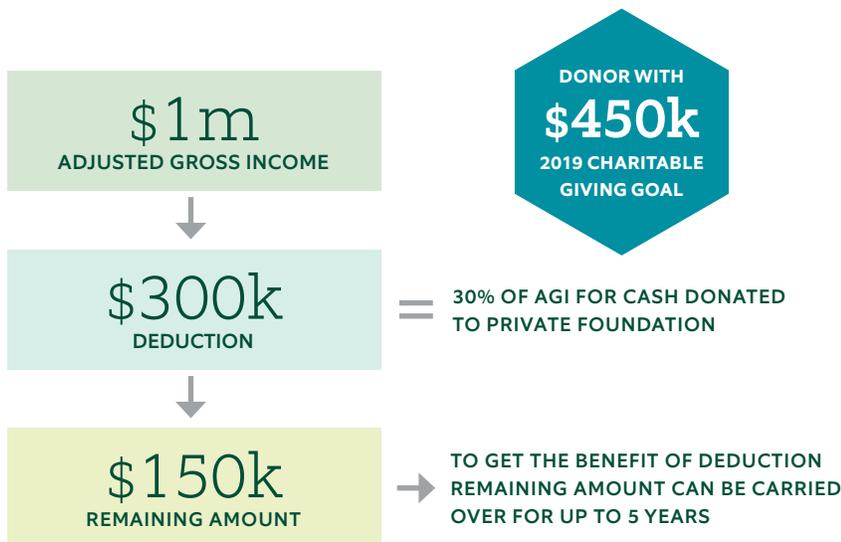
30%

FOR CASH GIFTS TO PRIVATE FOUNDATIONS

- Consider the level of giving to finish the year
- Evaluate the impact of giving
- Determine what to give in this strong market
- Enjoy the benefits of giving

Gifts of marketable securities or cash may be made directly or to a donor advised fund, with a current year deduction and distributions from the fund in the current year and/or future years. Gifts to a donor advised fund are treated as gifts to a public charity for purposes of the applicable adjusted gross income limitations.

Any excess may be carried over for up to five years.



For additional guidance on giving strategies, see Northern Trust [Diversity of Giving: Philanthropic Solutions](#), and [Diversity of Giving: Funding Alternatives](#).

HOW GIFTS CAN TRANSFORM THE GIVER

Giving is good for the giver. It enhances well-being and personal growth, literally. Generosity is the virtue of giving good things to others freely and abundantly.^v It is a character trait that is learned – taught by the mentoring and modeling of family and friends, instilled by exposure and experiences. It is one of those qualities developed and passed on from generation to generation – or lost in a generation. Diplomat Alexis de Tocqueville, in pondering the culture of America long ago, observed that “America is great because she is good. If America ceases to be good, America will cease to be great.”^{vi} It is one point of view and not the only point of view, but certainly offered from a thoughtful perspective.

*“He who allows his day to pass
by without practicing generosity
and enjoying life’s pleasure is
like a blacksmith’s bellows – he
breathes but does not live.”*

–Asian-Indian Proverb

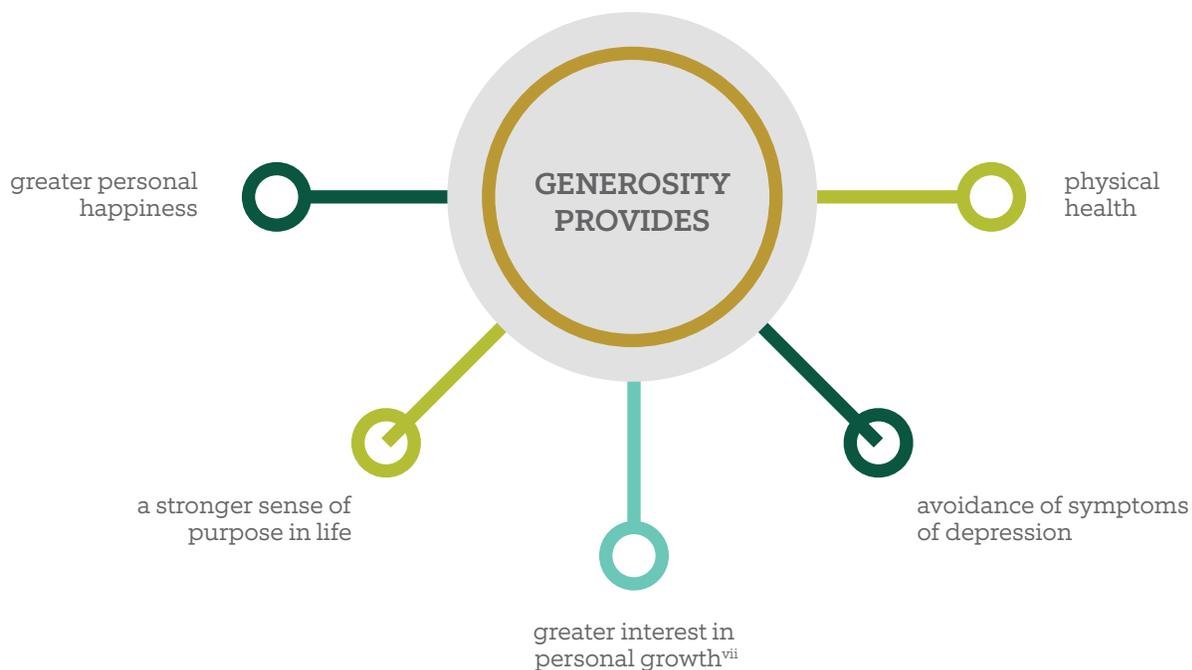
IN THEIR BOOK, *THE PARADOX OF GENEROSITY*, CHRISTIAN SMITH AND HILLARY DAVIDSON EXPLORE THE QUESTIONS –

How generously or ungenerously will each of us live our own lives, why will we choose to do so, and with what effect on ourselves and those around us?

How generous or not will our families, friendship networks, neighborhood associations, schools and colleges, religious congregations, voluntary organizations, for-profit companies, and other institutions in our lives be?

How generous will American society be?^{vi}

Empirical data demonstrates that giving money, volunteering, being relationally generous, being a generous neighbor and friend, and personally valuing the importance of being a generous person are significantly, positively correlated with the following results:

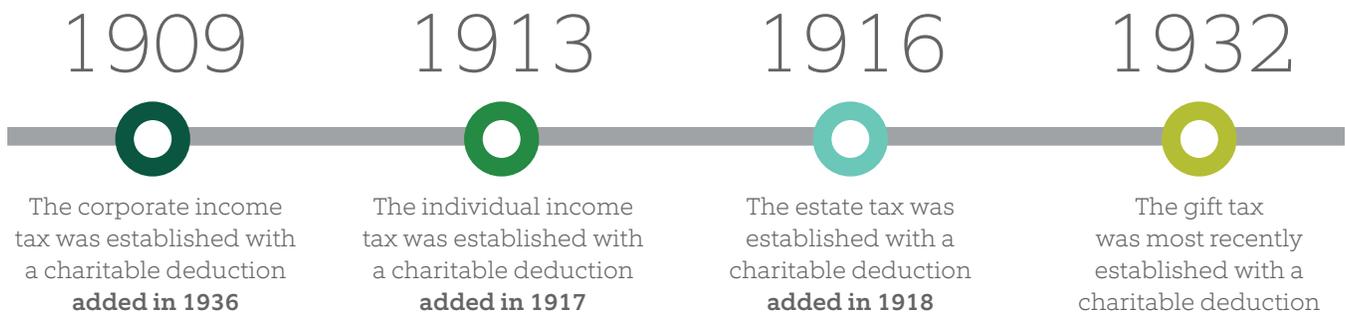


In short, Charles Dickens anticipated the finding of the Christian and Davidson research years ago when he penned the story of the personal journey of Ebenezer Scrooge in *A Christmas Carol*. What the study also finds is that there are some gifts that don't bear the same benefits; one being a testamentary gift at death to charity in a will or trust.^{viii} There is little personal satisfaction in a delayed planned gift; much more in a continuous pattern of giving during life. This is yet another reason to make the most of this season of giving. And it is a good reason to create opportunities to give together with family and friends to pass on a spirit of generosity.

A WEALTH TAX WITH A CHARITABLE DEDUCTION?

We are in the early stages of the 2020 election season, and wealth tax proposals are getting attention in the media. What is a wealth tax? In its simplest terms, it is a tax on an individual's balance sheet – typically with certain exclusions. Some may recall the former Florida Intangibles Tax, an annual tax based on the value of intangible assets. The current estate tax could be characterized as a wealth tax assessed upon asset values at death. The wealth tax being proposed by some candidates would be assessed annually during life. Any such tax would have many legislative hurdles to overcome and as proposed would be assessed at very high wealth levels. Little consideration appears to have been given to the details.

A WEALTH TAX CHARITABLE DEDUCTION IS A CORNERSTONE OF THE FEDERAL TAX REGIME.



State property and sales taxes typically include exclusions for charitable organizations. The point being that charitable deductions and exclusions go hand-in-hand with taxation in the United States. Qualification for a wealth tax charitable deduction could be limited to gifts to public charities or private operating foundations (not including gifts to private non-operating foundations). There is precedent for this type of approach in the current income exclusion for up to \$100,000 of certain required minimum distributions from individual retirement accounts made directly to qualified charitable organizations, not including private non-operating foundations.

Again, the campaign trail headlines are far removed from actual enacted legislation. But a wealth tax charitable deduction could make any such legislation a bit more flexible. And given the greater level of satisfaction many find in the personal agency of giving rather than in required compliance with taxation, a wealth tax with a charitable deduction may have a bit softer landing.

CONCLUSION

There is no better time to give than the present. Choose wisely; give well; be well. And confer with your legal and tax advisors for guidance regarding your individual circumstances.

END NOTES

- i Giving USA 2019: The Annual Report on Philanthropy for the Year 2018 (<https://givingusa.org>).
- ii Almanac issue of Chronicle of Higher Education (August 23, 2019) (<https://chronicle.com>).
- iii [https://scholarworks.iupui.edu/bitstream/handle/1805/14527/giving-circles2017-2.pdf?sequence=4&is Allowed=y](https://scholarworks.iupui.edu/bitstream/handle/1805/14527/giving-circles2017-2.pdf?sequence=4&isAllowed=y)
- iv Smith & Davidson, *The Paradox of Generosity* (Oxford University Press 2014).
- v de Tocqueville, Alexis, *Democracy in America* (1835).
- vi Smith & Davidson, *The Paradox of Generosity* (Oxford Press 2014).
- vii Ibid.
- viii Ibid.

FOR MORE INFORMATION

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If you would like to learn more about these and other services offered by Northern Trust, contact a Northern Trust professional at a location near you or visit us at northerntrust.com.



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