

## Charitable Trusts Benefit Donors and College of Law

Making a financial gift to the College of Law can be a wise decision with benefits not only for the College, but also for the person making the gift.

“During a person’s lifetime, there are great benefits from making charitable gifts, either outright or in a structured manner,” says Terry L. Turnipseed, assistant professor of law. He is a former wealth management and estate planning attorney with a law firm in Washington, D.C., where he developed and implemented complex tax planning strategies for more than \$1 billion in assets. “One very real benefit to making a charitable gift is the accompanying income tax deduction.”

Individuals making gifts of \$25,000 to millions of dollars may consider structuring their gift to maximize the income tax deduction they receive and the money that they or their family receive. There are several techniques for doing this, according to Turnipseed, who teaches courses in estate and gift taxation, estate planning, decedents’ estates and trusts, and property.

One such technique is a **charitable remainder trust**, in which a person makes a transfer into the trust and receives an annuity back for either a term of years or for life. At the end of the person’s life or the term of years, any funds remaining in the trust go to the charity—in this case, the College of Law.

“There are a number of benefits to a charitable remainder trust, one of which is a tax deduction up front,” Turnipseed says. “Even though the person making the gift is getting money from the annuity and the ‘gift’ doesn’t go to the charity until the end of the term or at the person’s death, the person not only gets an income tax deduction, he or she also gets recognition from the College of Law during their lifetime.”

Charitable remainder trusts work especially well with low basis stocks or other assets that a person would like to diversify, but which would carry a big up-front capital gains penalty should they be sold outright. The asset can be put into a charitable remainder trust that would defer the capital gains tax on any sale. “The deferral of tax works out to be quite a big benefit because of the time value of money,” Turnipseed says.

Another technique is a **charitable lead trust**, in which a person creates a trust and, if structured in a particular way, receives an up-front income tax deduction. The charity named in the trust, such as the College of Law, receives an annual payment for up to 20 years. At the end of the trust term, any money remaining can be left to the person’s family members tax free. If it is structured correctly and the assets grow, the person can get a charitable income tax deduction, benefit the College of Law, and have money remaining for family members.

In either of these trusts, if the person cannot use the income tax deduction for whatever reason during the first year, the deduction can be carried over for five more years, according to Turnipseed. “You actually have six years to utilize the tax deduction,” he says.

Either trust can also be set up at death in a person’s will, specifying that a certain percentage of an estate be placed into a charitable lead or charitable remainder trust. Those trusts make financial sense at gift levels of approximately \$25,000 and up, Turnipseed notes.

“Many people think that even though they have the money, they cannot afford to gift \$500,000 or more because they might need it at some point. Those same people are often the ones that need income tax deductions the most,” he says. “When they learn the benefits of these techniques, including the fact that they or their family will probably get some money back out of it, they start to look at gifting in a new way. And that person might end up making a larger gift

than they would have had they just made an outright gift. It really is a win-win situation both for the donor and the College of Law.”

To find out more about charitable trusts, or other methods of giving to the College of Law, Turnipseed suggests contacting a trusted estate planning attorney who is experienced in creating such charitable planning techniques or Lowell H. Lustig, associate dean for advancement at the College of Law, for further information. Syracuse University manages charitable trusts for no fees.

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