WINTER 2022

TALENTS

Wheaton College Gift and Estate Planning Newsletter

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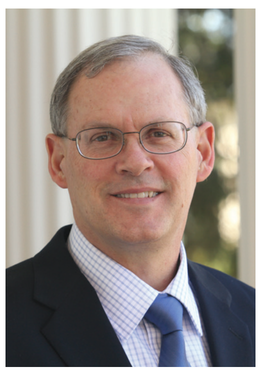


Dear Friends,

As you may have heard, some far reaching tax legislation was proposed in 2021, which would have significantly affected charitable giving. It was proposed that capital gains be taxed on transfers of appreciated property to charitable remainder trusts. This would have eliminated a popular and highly effective tool for benefiting charities since 1969. Also, the proposed "ACE" Act would have severely limited the flexibility and use of donor advised funds. DAFs have not had as long a history as charitable remainder trusts, but their popularity and growth have exploded over the last 20 years, much to the benefit of charities.

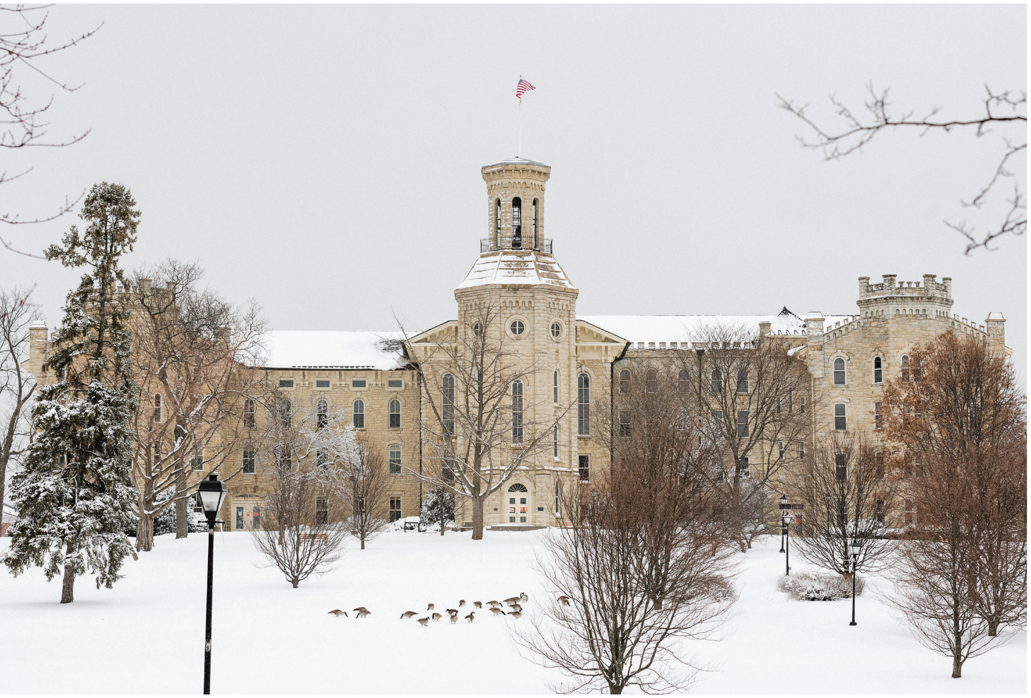
As of December 2021, neither of these proposals were included in any legislation currently being considered by Congress. Thus, the charitable community and its supporters can breathe a sigh of relief for now. In this issue of *Talents*, we briefly consider these potential changes to charitable giving and discuss the important opportunities that remain available to you to support Wheaton and your other favorite charities. Hopefully, these opportunities will remain permanently available as we move forward into 2022 and beyond.

Dave Teune

Director of Gift Planning Services

WHEATON COLLEGE

For Christ & His Kingdom



Almost the Death of Charitable Remainder Trusts

The charitable remainder trust (CRT) has been a popular tool allowing donors to contribute assets to a trust for the benefit of charity, retain lifetime income, and receive tax benefits, including an income tax deduction. One of the significant advantages of contributing appreciated property to CRTs is the ability to avoid capital gains tax on transfer to and sale of the asset by the trust. This allows persons with appreciated property to make a gift to charity while allowing the tax-free sale and reinvestment of appreciated assets into a more diversified portfolio. This technique has greatly benefited charities and donors since 1969, and CRTs have become one of the most popular deferred gift strategies.

Charities were concerned by a 2021 tax proposal that suggested taxing donors on a portion of the appreciation of the value of the property transferred to CRTs. This would have significantly limited the broad use of the CRT. Charities made an effort to persuade the government of the potential risk of the proposal to charities, and proposals to change legislation were not included in any bills in 2021. At this point, there have not been any further discussions regarding this proposal for future legislation in 2022. Thus, the powerful advantages of the charitable remainder trust continue. (See box to right)

WHEATON COLLEGE DONOR ADVISED FUND

- **Short-Term Fund**—Give to Wheaton in one year and make distributions to Wheaton and other charities in future years.
- **Legacy Account**—Establish a long-term endowment account for distributions to Wheaton and other charities during your life.
- **Estate Account**—Simplify the charitable distributions from your estate by naming Wheaton as a beneficiary in your estate plans and letting Wheaton distribute your charitable estate funds to your recommended charities.

A "DURING LIFE" CHARITABLE REMAINDER UNITRUST WITH WHEATON COLLEGE CAN:

- Help you avoid initial capital gains taxes on the sale of appreciated assets by the trust (allowing tax-free reinvestment in a diversified portfolio)
- Provide lifetime income
- Provide partial income tax deduction
- Include professional fiduciary management services by Wheaton College Trust Company
- Offer significant investment in Wheaton's ministry

Donor Advised Funds—Escaping a Threat

Donor Advised Funds (DAF) exploded in growth during the 2000s. A DAF allows a donor to contribute to a sponsoring charity and then recommend distributions to other charities which the donor also supports. This technique allows donors to contribute in one year and recommend distributions to charities in future years. One favored use of the DAF has been for families to make significant contributions either at once or over time to build up a charitable fund (like an endowment or a much simpler and economical family foundation).

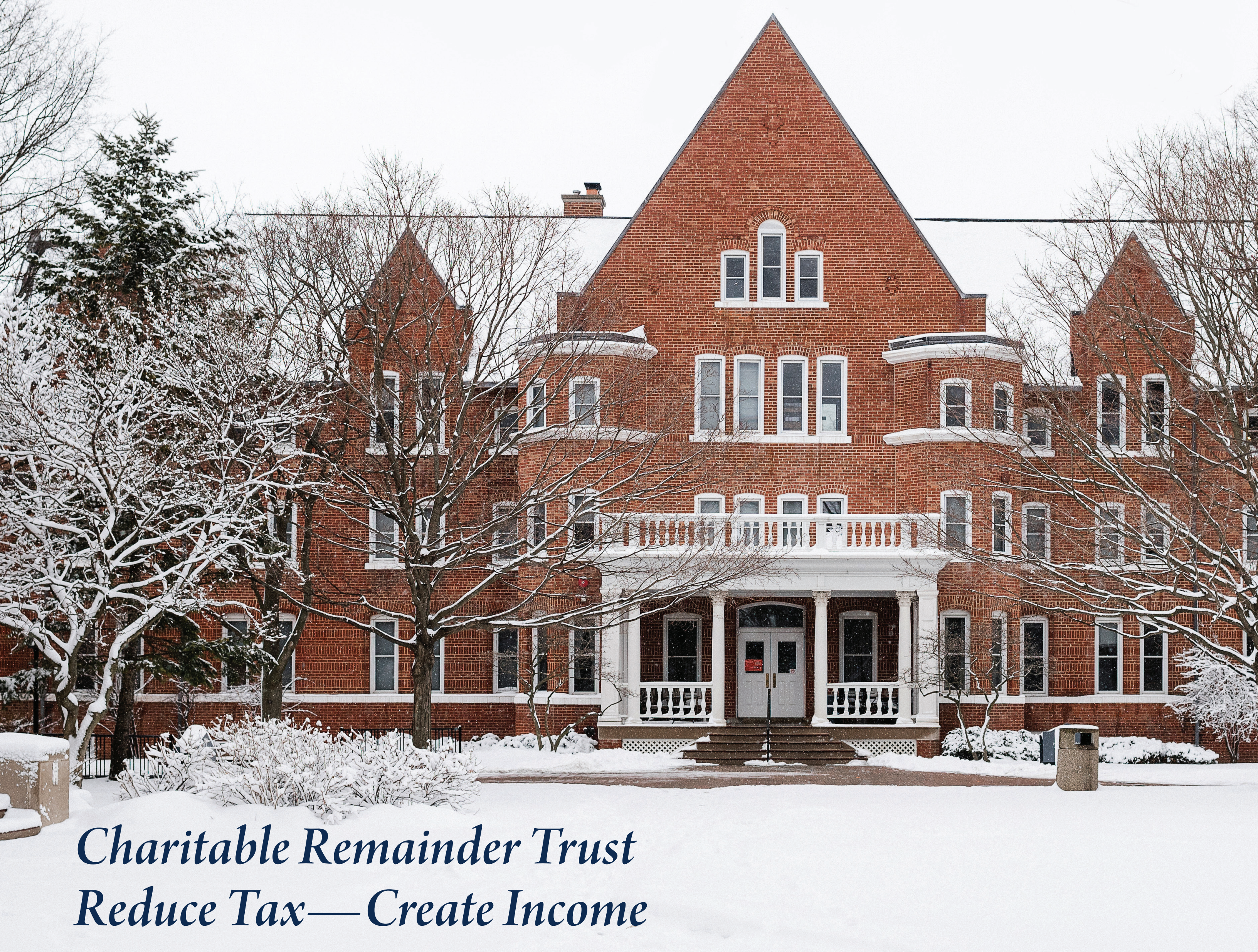
In 2021, the ACE (Accelerating Charitable Efforts) Act was introduced, which proposed limiting the charitable deduction for contributions to a DAF unless the donor's recommendation privileges ended 14 years following the contribution year. This would have eliminated the ability to use DAFs as a long-term family fund for continuing annual recommendations for charitable distributions during the donor's life or by the donor's family after their death. However, no further action was taken to enact the bill into law.

Retirement Distributions—From Restrictions Arise Opportunities

While some of the proposed tax legislation in 2021 could have posed barriers to charitable giving, other charitable strategies helped offset the negative aspects of past tax legislation.

Until the Tax Cuts and Jobs Act (TCJA), you could leave your retirement assets to family, and they had the right to "stretch" required distributions over their lives, thus reducing taxes and allowing tax-free growth in those accounts during their lives. The 2017 TCJA established a rule that requires heirs to withdraw (and be taxed on) all the retirement assets within ten years from the date they inherit those accounts. This potentially increases the tax paid on those assets.

One charitable solution has been the Testamentary Charitable Remainder Trust, by which you create a charitable remainder trust which, at your death, receives the retirement assets tax-free. The CRT then makes annual payments to your family (or other individuals) for what is typically a 20-year period. This allows a modified "stretch out" of payments which can minimize tax, retain tax-free growth, and provide you control over the ultimate charitable beneficiaries.



Charitable Remainder Trust
Reduce Tax—Create Income

Don and Jody Anderson, in their early 70's, have been retired for several years. Besides having other assets to provide for their retirement and medical or other emergencies, they own highly appreciated Amazon stock. The stock has grown to be an outsized portion of their portfolio, and they would sell the stock, except that they would incur substantial capital gains taxes. They have included Wheaton and other ministries in their estate plan.

They decide to contribute the Amazon stock to a tax-exempt charitable remainder unitrust (CRUT). Wheaton College Trust Company, as trustee of the CRUT, will sell the donated stock tax-free, invest the proceeds in a diversified investment portfolio, and pay the Andersons an annual payment of 5% of the trust's value, revalued annually. By using the CRUT to "accelerate" their estate gift to charity, Don and Jody have successfully diversified their investments tax-free, retained a lifetime income, received a substantial tax deduction, employed a professional trustee, and provided for Christian ministries.

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501 College Ave. | Wheaton, IL 60187

wheaton.edu/giftplan | 630.752.5332 | gift.plan@wheaton.edu