Advanced Charitable Brainteasers

A Case Study Approach

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Agenda

EIGHT ADVANCED CHARITABLE CASE STUDIES

1. Life-Changing Baseball Coach: Commodities for College
2. Artwork to Ireland: Thankfully People Buy Modern Art
3. Corporate Real Estate Give-Back: Employees Retrained
4. Doctors' With a Good Investment: Believe It or Not!
5. Religious Conversion: Stabilizing a Family Foundation
6. Asset Compression and Anonymity: Lesson Learned
7. Charitable Deduction Optimization: Controlling the Spigot
8. S-Corporations and Roach Motels: Tax Arbitrage is a Beautiful Thing

Donor Advised Fund Environment and Market Scan

2024 Donor Advised Fund Facts (1485+ DAF Sponsors)

- 3.56M DAF (469K in 2017)
- $326 Billion in Assets
- $90 Billion in New Contributions
- $65 Billion in Grants (25.1% Payout Rate)
- Average Fund Size $91,000
- From 4% of total giving in 2010 to 15.1% in 2024

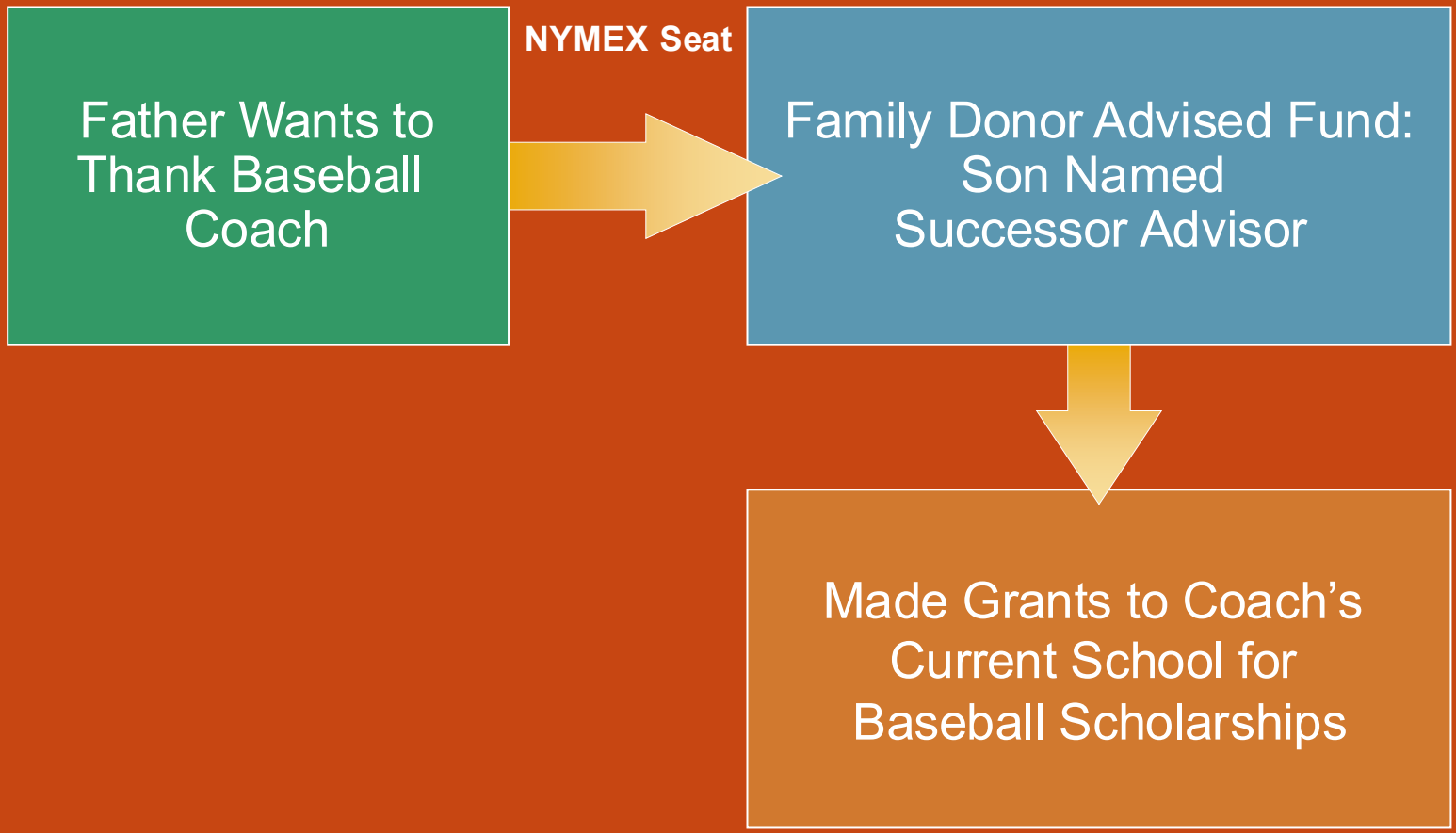
2025 DAF Research Collaborative Report

Charitable Brainteaser #1 – Situation

LIFE-CHANGING BASEBALL COACH:
COMMODITIES FOR COLLEGE

- Client's son barely graduated high school
- Went to small Midwestern university on baseball scholarship
- Immediately, coach positively changed son's life
- Son is 27, graduated from Princeton and is VP in father's Commodity Trading Business
- Father wants to create a Scholarship Fund to honor coach
- Doesn't want Fund if coach leaves or retires
- Father's assets are limited except for three seats on the NYMEX

Charitable Brainteaser #1 – Solution



Charitable Brainteaser #2 – Situation

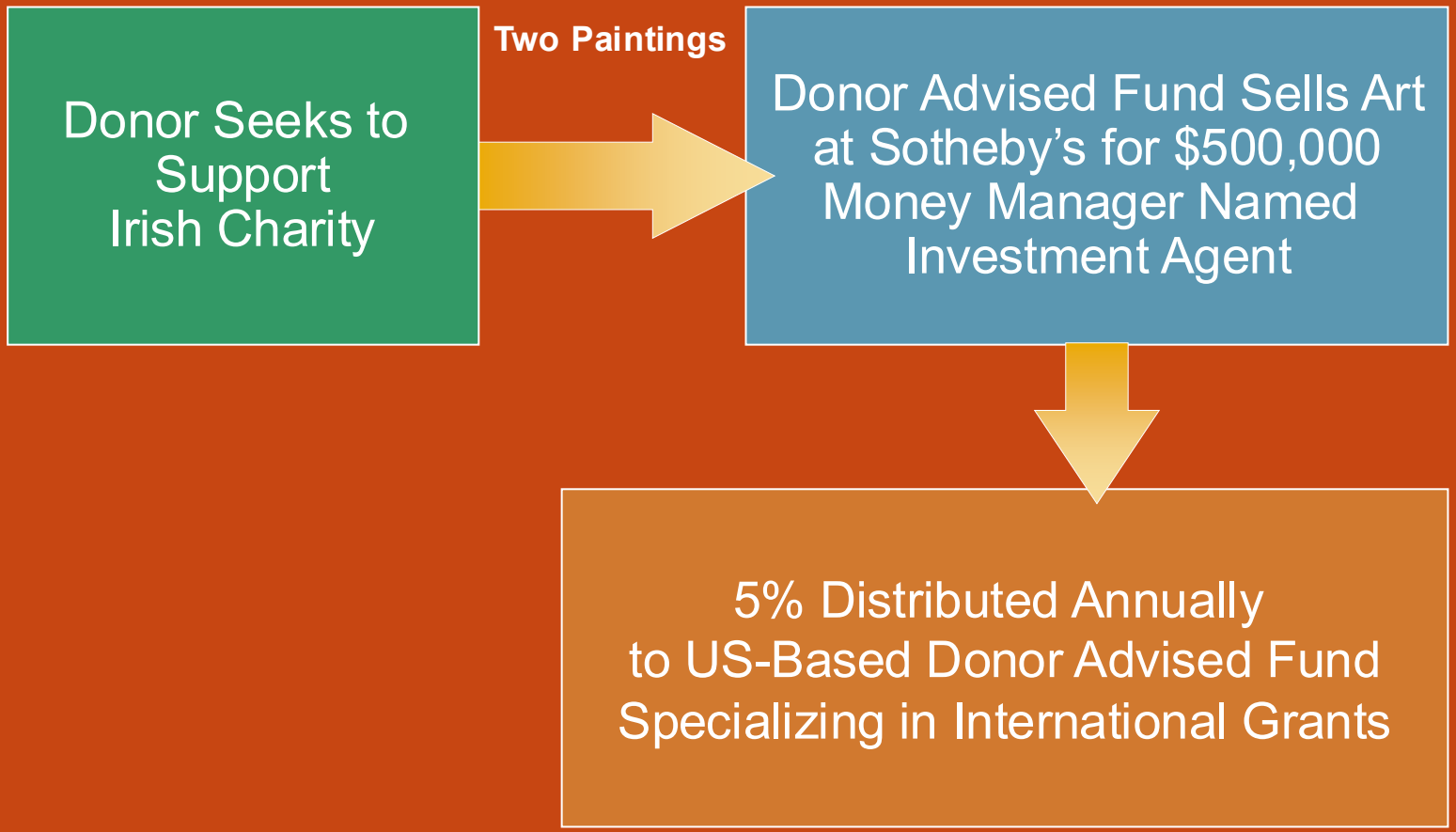
ARTWORK TO IRELAND:
THANKFULLY PEOPLE BUY MODERN ART

- New York client owns multiple pieces of inherited art currently in storage
- Originally intended to bequeath art to local church
- Now he wants to make a $500,000 donation to an Irish charity's endowment with no US-affiliate
- Ideally, he would like to keep the money with his investment advisor for the next 10 years




STOP

Charitable Brainteaser #2 – Solution

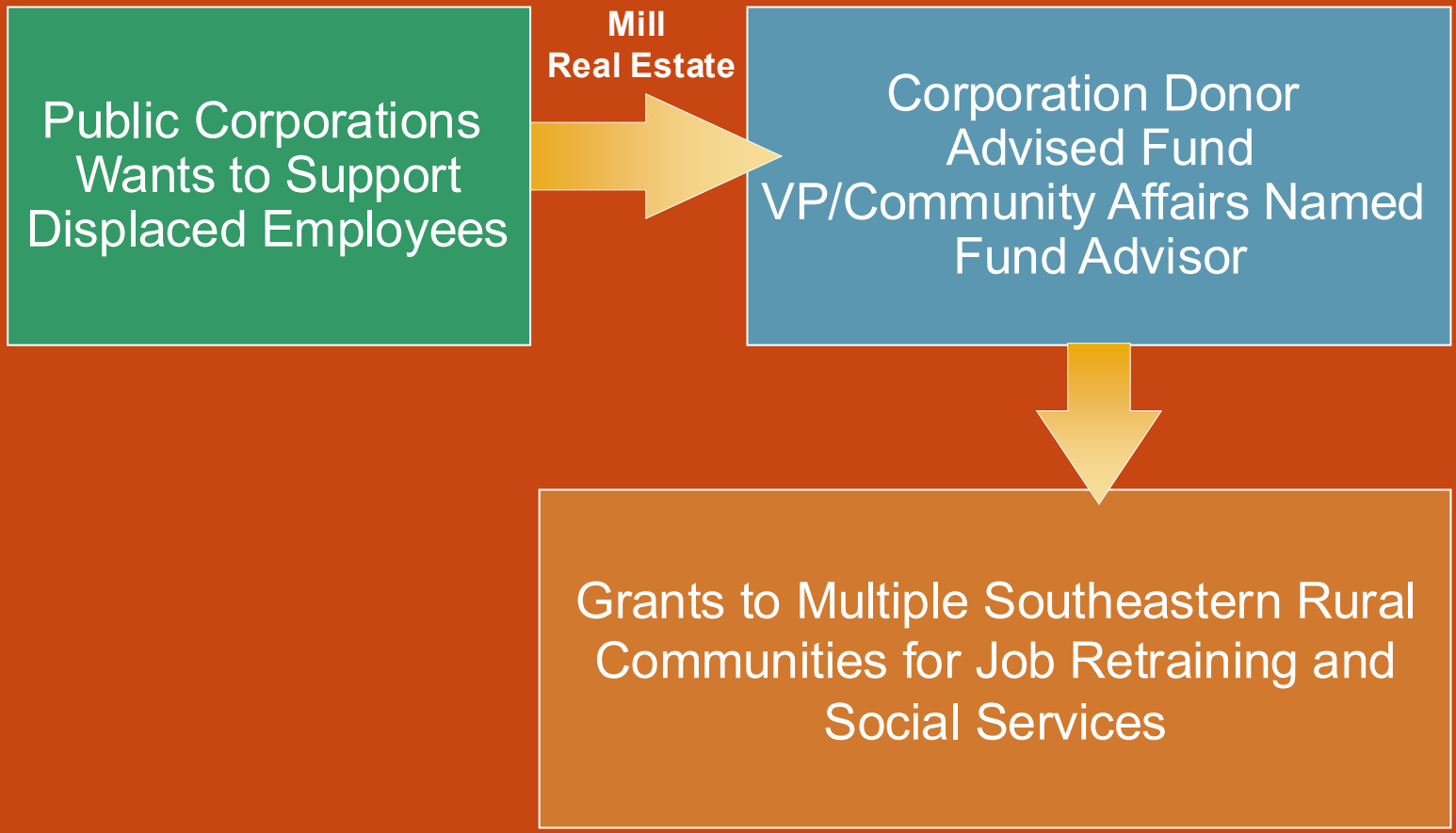


Charitable Brainteaser #3 – Situation

CORPORATE REAL ESTATE GIVE-BACK: EMPLOYEES RETRAINED

- Fortune 500 corporation shut down domestic textile mill production and outsourced jobs
- Goal was to create a foundation to provide job-retraining and social service grants to effected employees
- Critically important to maximize tax savings and minimize administrative burden
- Would consider funding with cash or shuttered mill property

Charitable Brainteaser #3 – Solution

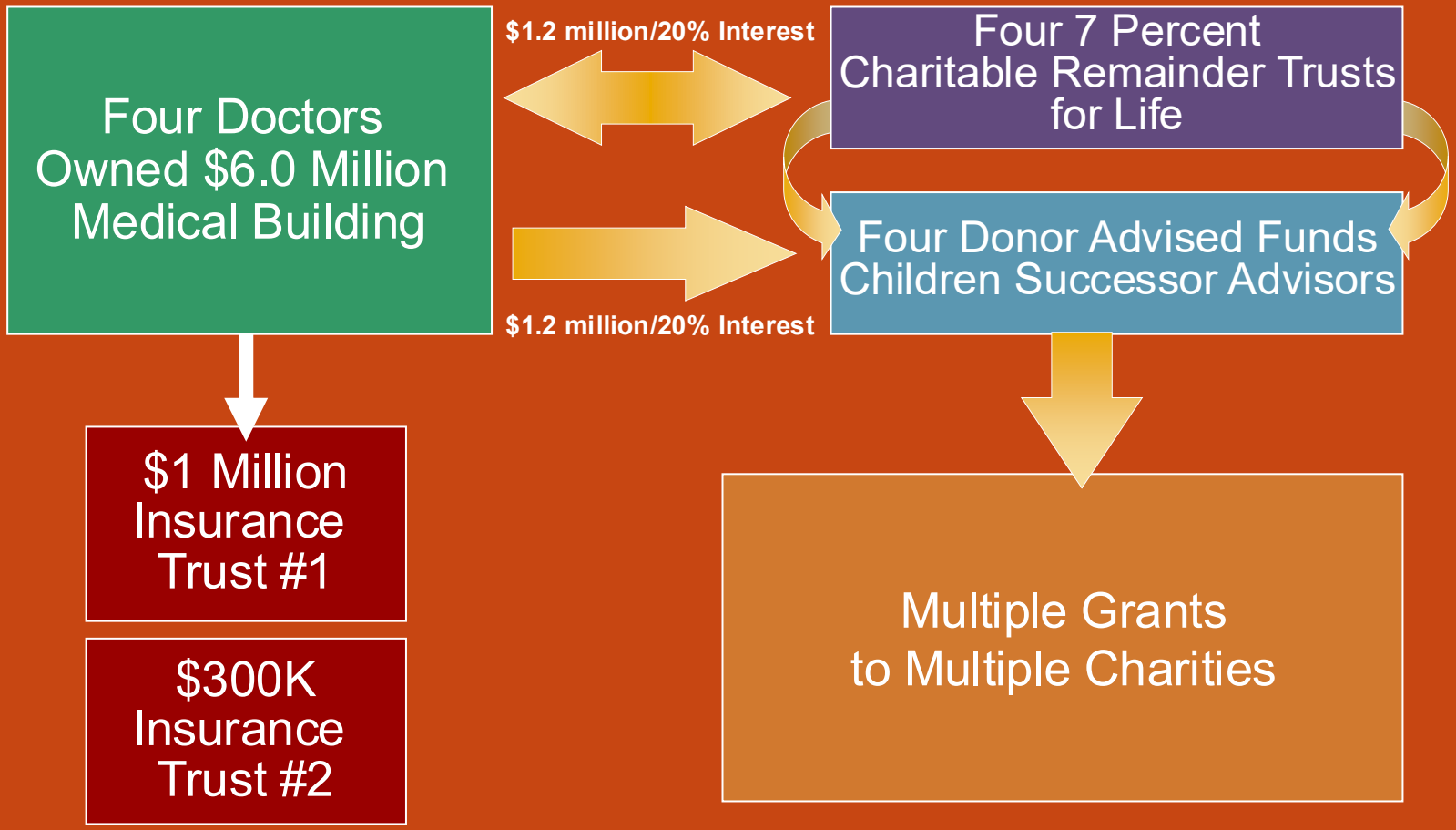


Charitable Brainteaser #4 – Situation

DOCTORS WITH A GOOD INVESTMENT: BELIEVE IT OR NOT!

- Four doctors owned their medical building with virtually zero cost-basis
- A regional REIT offered to purchase it every year
- Doctors wanted to retire and sell practice to six junior doctors
- Junior doctors wanted long-term lease
- Each doctor was charitably-inclined but wanted to maximize tax savings and receive a life income
- Two were particularly concerned about disinheriting children/grandchildren with donations

Charitable Brainteaser #4 – Solution

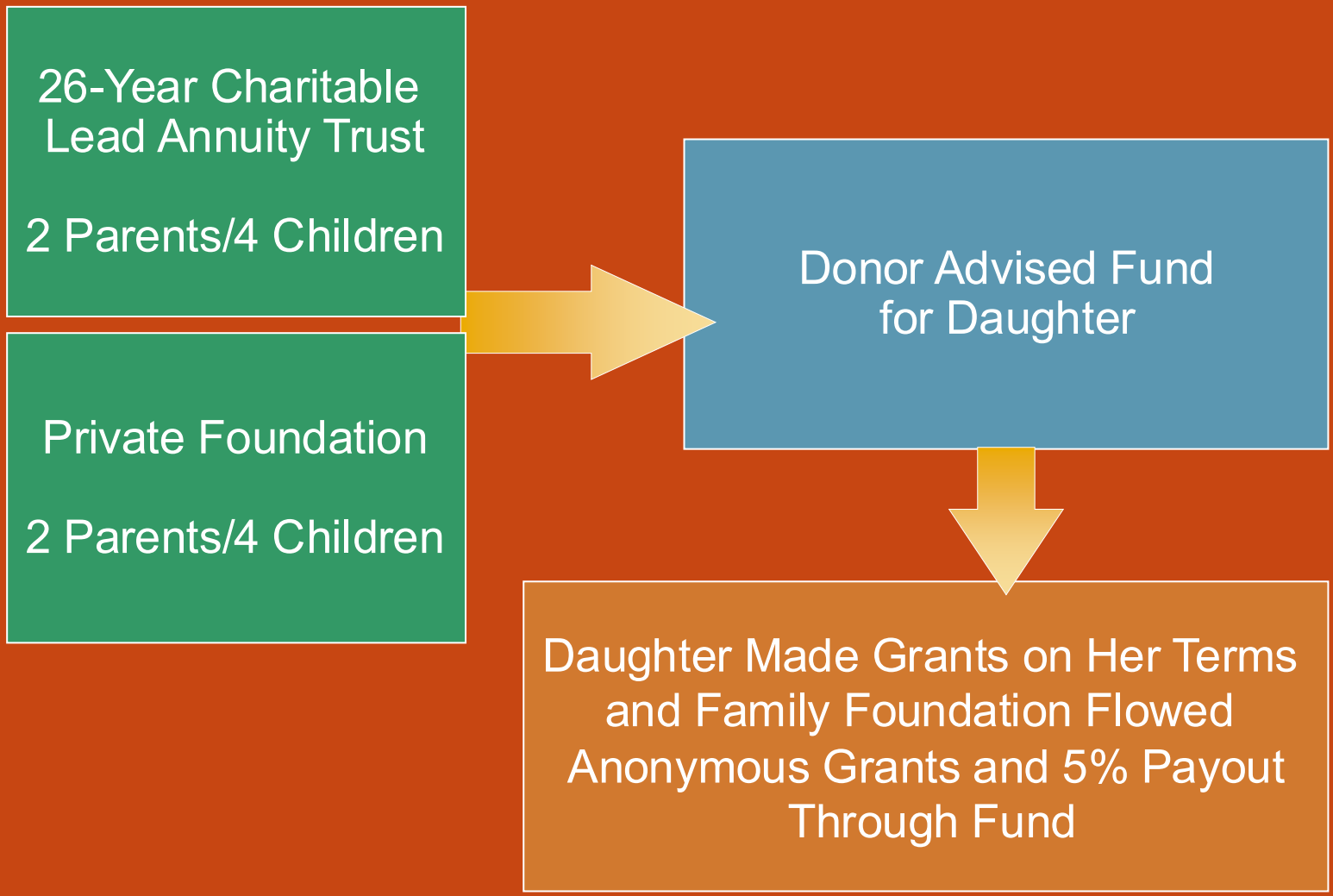


Charitable Brainteaser #5 – Situation

RELIGIOUS CONVERSION:
STABILIZING A FAMILY FOUNDATION

- 5 years ago, grandfather wanted a 100% charitable estate tax deduction without irrevocably giving the assets to charity
- Now, two children and four grandchildren are on also on the family foundation's board – one grandchild married outside of faith and upset her brother
- She feels ostracized and can't make grants to new church
- Family foundation had not met 5% payout requirement and also wanted to grant to an environmental charity but application expressly excluded environmental groups

Charitable Brainteaser #5 – Solution

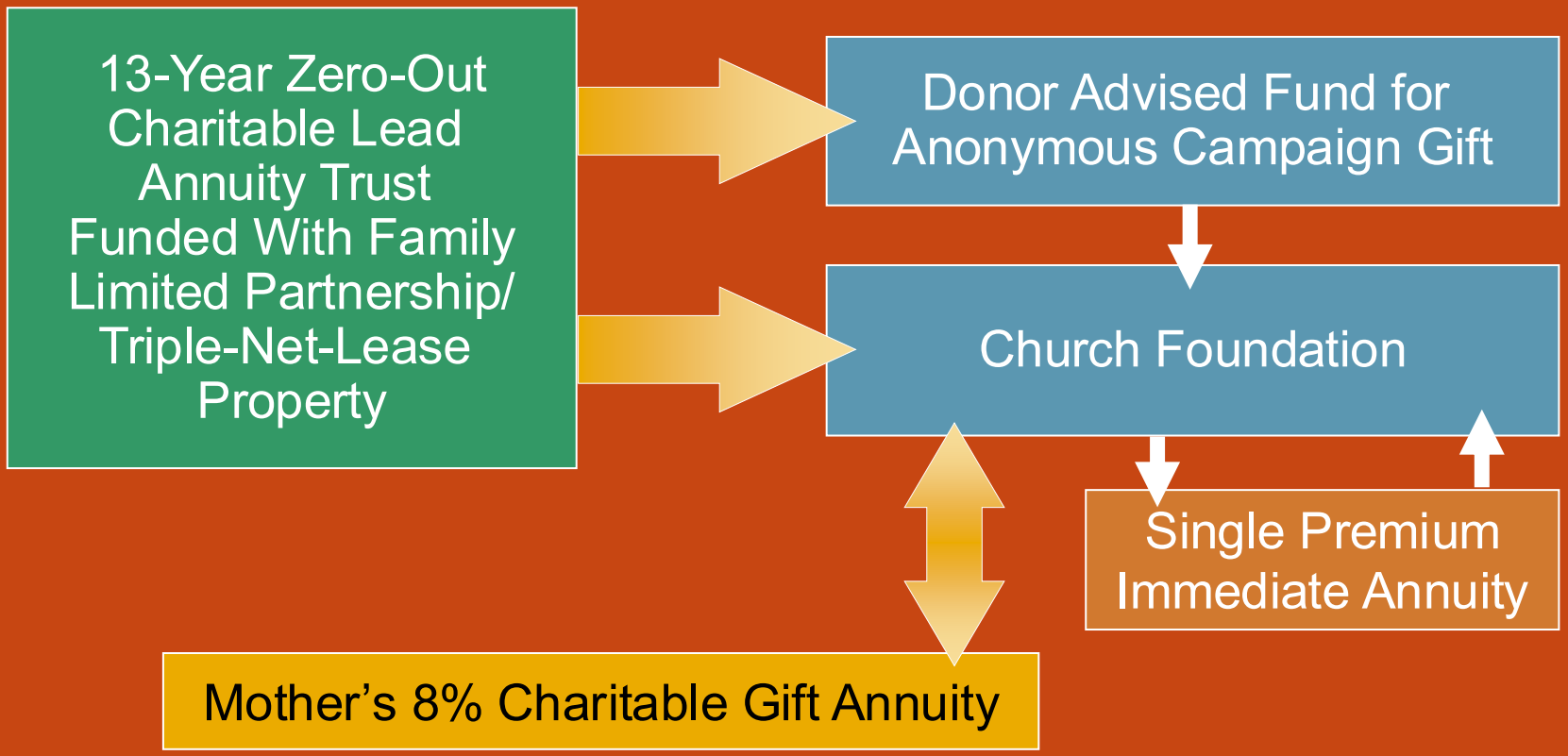


Charitable Brainteaser #6 – Situation

ASSET COMPRESSION AND ANONYMITY:
LESSON LEARNED

- An overly optimistic client was named capital campaign chair for church – promised completion in 24 months
- As a warehouse developer, he held a number of triple-net lease properties which he wanted to tax-effectively transfer to his children
- 23.9 months into the campaign, he called to say the campaign was $300,000 short and he needed some solutions
- Also, his 80-year-old mother planned to contribute $500,000 to the church campaign for a charitable gift annuity (income for life) but was concerned about default risk

Charitable Brainteaser #6 – Solution



Charitable Brainteaser #7 – Situation

CHARITABLE DEDUCTION OPTIMIZATION: CONTROLLING THE SPIGOT

- 71 entrepreneur was selling his closely held C-corp business for $12 million
- He wanted to donate $5 million to three charities to endow programs he and his wife had recently established ($1 million each to generate $50,000/annually in income) and then have additional funds for future charitable giving. He also wanted to endow a professorship at a fourth charity for $2 million if possible.
- His income was expected to drop to $500,000 after the business sale so was concerned about losing the deduction
- He did not want/need any life-time income from the gift, but wanted to "stretch" his IRA for a child
- He also had $1.4 million in an IRA and an old $1.5 million second-to-die policy for estate tax liquidity with a high cash value

Charitable Brainteaser #7 – Solution

Donor Contributes $1.5 million of stock to a Donor Advised Fund and $3.5 million to a 15 year Deferred Gift Annuity

Donor Advised Fund Distributes $250k/year

Gift Annuity Interest is Partially Revoked after Year 6 to Optimize Deductions

Three Charities with Endowed Programs

1035 Exchange Life Policy for a New $2 million

Annual Qualified Charitable Distribution of $100K

Fourth Charity: Fund Professorship

Charitable Brainteaser #8 – Situation

S-CORPORATIONS AND ROACH MOTELS:
TAX ARBITRAGE IS A BEAUTIFUL THING

- Investment advisor's firm is a S-Corp and he wants to sell $500,000 to new partner
- State income tax rate is 13.3%
- Investment advisor is charitably-inclined
- Advisor wants to use the S-Corp stock if possible to make a contribution to consumer credit counseling and an unrestricted fund
- S-Corp has zero cost-basis and all gain is categorized as unrelated business taxable income to the charity (UBTI)

Charitable Brainteaser #8 – Solution

Advisor Contributes S-Corp to Trust-Form Public Charity in Nevada (Income Tax-Free State)

Public Charitable Trust With a Donor Advised Fund Sells to New Partner/20% Gains Tax Reduced by 60% for Deduction

Charity Receives Net 91% of Gift as Grant

Donor Receives a 100% FMV Deduction Vs. Sale and Gift Netting 71% to Donor and Charity

Outright Gift to Consumer Credit Counseling

Created Named Unrestricted Fund at Community Foundation