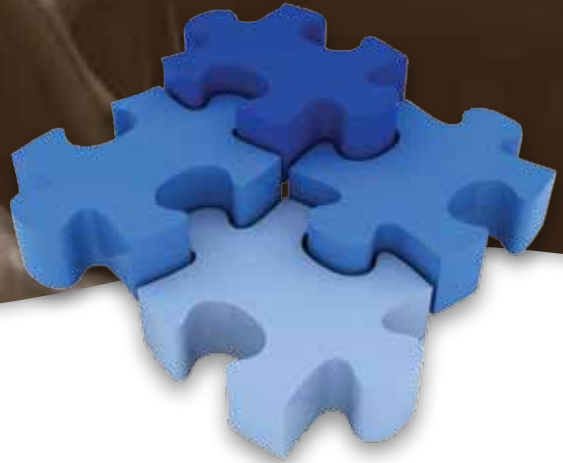




THE GREATER
CINCINNATI
FOUNDATION



Strategic Solutions for Complex Gifts






As a professional advisor, you may occasionally encounter clients with unusual assets or complicated financial situations. The Greater Cincinnati Foundation (GCF) has nearly 50 years of experience in handling charitable gifts in many forms and has the resources to help you plan and manage them.

Working with GCF on complex gifts can save you time and effort while providing a better solution for your client.

Managing Non-Cash Assets

Statistically, more than half of affluent investors' assets are held as non-cash assets; cash only represents three to five percent of net worth. Yet of the \$300 billion in charitable donations in 2009, non-cash assets are estimated to comprise three percent or less.

Therefore, charitable gift planning for non-cash assets represents tremendous potential as both a business opportunity for you and a significantly beneficial service for your clients. Categories of non-cash assets include:

-  real estate
 - residential vs. commercial
 - encumbered vs. unencumbered (remaining mortgage or lien)
 - partial vs. entire property
-  privately-held interests (C-Corp and S-Corp stock, limited partnerships or LLCs)
-  restricted stock
-  tangible personal property (art, collectibles)
-  miscellaneous or unique assets (patents, mineral rights, book royalties)

GCF can accept complicated gifts that smaller charities cannot manage – yet working with GCF means those smaller charities can still benefit from these gifts.

“GCF worked with me to develop a complex plan to save taxes and maximize charitable contributions through my client’s donor advised fund.”

– Robert W. Buechner, Esq.
Buechner Haffer Meyers &
Koenig Co., LPA

EXAMPLES OF NON-CASH ASSET CHARITABLE CONTRIBUTIONS

Asset	Form	Unique issues and potential problems	Planned gift issues and comments
Real Estate	Residential or commercial, leasehold/life or remainder interest	Environmental liability, holding period management, accelerated depreciation, negative basis, debt, pre-arranged sale.	Ideal for FLIP-CRUT, difficult for CRAT and CGAs because of marketability. Real estate represents nearly 50% of privately held wealth, yet only 2% of all charitable gifts.
Closely Held Stock	C-Corp or S-Corp	Thin to non-existent market, difficult valuation, self-dealing without independent appraisal, pre-arranged sale, S-Corp UBTI issues.	Ideal for FLIP-CRUT with no known liquidation event – other vehicles work for corporate redemption or market sale. Private company contributions are popular prior to a market sale; S-Corp gifts to a trust are tax-effective prior to sale or to a corporation if held.
LLC Interests	Tax status may be corporate or partnership	Same as closely held stock and characteristics of underlying assets and potential capital calls, multiple shareholders/assets difficult.	Ideal for FLIP-CRUT with no known liquidation event – other vehicles work for corporate redemption or market sale. Charities typically prefer LLC interest for liability protection; multiple shareholders make this difficult.
Partnerships	General, Limited or Operating	May be difficult or expensive to appraise, characteristics of underlying assets, general partnerships have full liability, partnerships with negative basis.	Limited partnerships are good funding assets for lead trusts. For LLCs and partnerships, appraisal discounting may apply.
Life Insurance/Annuities	Paid up and non-paid up life insurance – variable or fixed deferred annuities	Non-paid up policies, “stranger-owned” or premium-financed, or gifts with policy loans are more difficult; paid-up whole life policies work well; annuities trigger gain upon transfer.	An excellent lifetime or testamentary gift (through beneficiary designation); annuities are only attractive as testamentary gifts because of IRD. Can be an excellent wealth replacement tool for planned or outright gift; premiums can be paid with appreciated property.
Collectibles/Art	Art, coins, antiques	Valuation, insurance, storage, transaction costs.	Tangible property works fairly well for nearly all forms of planned gifts, but cost basis deduction is a concern; testamentary gifts are ideal. New PPA 2007 rules severely tighten partial interest art gifts; capital gains taxes are 28% federal so tangible property donations offer extra tax benefits.

Note: this table contains general information for overview purposes and does not represent tax, legal, or financial advice.



NOT-SO-FREQUENTLY ASKED QUESTIONS

Complex gifts or circumstances can generate specific – and unique – questions from clients. GCF’s professional staff has years of experience working with professional advisors and oversees funds worth millions of dollars annually. We can respond quickly with information and strategic solutions to meet your client’s situation.

Q: Once a donor advised fund agreement is signed, may it be changed in any way?

A: Yes, some changes, such as the name of the fund or successor advisors may be easily made to a donor advised fund agreement, with the approval of the Governing Board of The Greater Cincinnati Foundation. More material changes need to be discussed with staff and may or may not be acceptable.

Q: Does GCF accept gifts of non-cash assets?

A: Absolutely – we accept many types of gifts including real estate, closely held stock, partnership interests, etc. We have gift acceptance policies to help us evaluate these gifts and to ensure that accepting such gifts would not be disadvantageous to GCF.

Q: Can an investment manager create a fund, act as the investment manager and as the donor advisor?

A: An investment manager may create a fund, advise it and act as the investment manager for this fund. However, according to the Pension Protection Act of 2006, the investment manager cannot accept fees for managing this fund.

Q: If I make a gift of stock, may I instruct GCF on when the stock can be liquidated?

A: Our policy is to liquidate stock upon receipt. The donor’s gift is valued on the day the gift is made to GCF. In order for the gift to be complete and not subject to a material restriction, control must be relinquished.

11 WAYS YOUR CLIENTS CAN USE GCF

If your client is charitably inclined, a gift to The Greater Cincinnati Foundation can help maximize the tax benefits. Here are common situations that might make GCF an effective solution for your client:

1. Before selling appreciated property. No capital gain is realized when property is donated to charity prior to sale.
2. To convert low-yielding, highly appreciated securities into an attractive income stream. Elderly clients may increase the income from investments by creating a charitable gift annuity or a charitable remainder trust. Any capital gains tax payable can be spread over a number of years.
3. To celebrate a large bonus. By using part of that bonus to create a GCF donor advised fund, your client can offset taxable income with a charitable deduction, and then make grants to chosen charities over a number of years.
4. To avoid creating a private foundation. GCF can help establish a donor advised fund or field of interest fund that will support the cause or charities your clients wish to support without the complexity and legal requirements of running their own organization.
5. Before taking a closely held company public. If closely held stock is donated to charity before an IPO, any capital gain can be captured for charitable purposes and will not be taxable to the donor upon sale.

6. To diversify low-yielding investments and avoid capital gains tax. By establishing a donor advised fund, your client can suggest charitable grants over a number of years, with no capital gains tax liability for the donated asset.
7. To provide resources to a family member or friend while making a charitable gift and taking a tax deduction. Charitable remainder or charitable lead trusts can benefit a third party while reserving money for charity. Some gift tax consequences may result, but the donor receives the added benefits of an income tax deduction, possible deferral of capital gains tax, and the knowledge that their gift benefits a person and one or more charities that they cared about during their lifetime.
8. To transfer the family business. Gifts of closely held stock are deductible based on the appraised value of the stock. The donor's children, third parties or the company can then buy back shares at their appraised value, and a charitable fund remains to benefit the community. This allows donors to take an income tax deduction and avoid capital gains tax while establishing a fund.
9. To maximize the use of retirement plan assets after death. Your client's heirs may receive only \$.25 to \$.30 on the dollar from retirement plan assets. Charitable gifts of IRA assets are ideal because they will have no negative income or capital gains tax effects, so charity receives dollars that the IRS would otherwise claim.
10. To leave a legacy to the community in which they achieved success. Many people prefer to leave their estate to the community, rather than to distant relatives, friends, or the government. This is often true when people do not have children or descendants.
11. To honor the loss of a loved one. The Greater Cincinnati Foundation can help establish a fund in memory of or in honor of your client's loved one. We work with individuals to determine what type of fund (donor advised, scholarship, designated, field of interest, unrestricted) would most closely fit to honor their loved one.



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You are welcome to visit the GCF website (www.gcfdn.org) and download fact sheets on a variety of topics to share with your clients. We can also furnish copies at your request.

For nearly 50 years, GCF has been helping people achieve their charitable goals, supporting nonprofit organizations, and creating lasting good work in the region. We provide a simple, powerful, and highly personal approach to giving and offer a variety of tools to meet specific individual needs.

For more information, ideas, and details on how to integrate your financial and estate planning with charitable giving, ask your professional advisor or contact GCF:

Phone: 513-241-2880 | E-mail: info@gcfdn.org

Web site: www.gcfdn.org

WE HELP PEOPLE MAKE THE
MOST OF THEIR GIVING TO BUILD
A BETTER COMMUNITY.