

# Visions

## In Personal Planning

### Mount Sinai South Nassau

IDENTIFY THE GIFT OPTIONS THAT ARE BEST FOR YOU, WHETHER YOUR FOCUS IS YEAR-END GIVING OR SHAPING YOUR PERSONAL LEGACY

SPRING 2020

## Blended Gifts: An Art and a Science

History is filled with countless examples of creative individuals who combined known elements to create novel solutions to important needs—sometimes even with historic results. NASA reports that we benefit every day from numerous innovations that were created or enhanced through the efforts of the U.S. space program—from artificial limbs to enriched baby food to the insulin pump.

In similar fashion, our donors have joined creative, often artful philanthropic planning with heartfelt passions to meet charitable goals in unique ways

that make life better for everyone. The results are known as blended gifts.

This newsletter shows how donors can creatively combine two gift strategies to meet personal planning goals and make a difference at Mount Sinai South Nassau. There are many ways to structure gifts that meet specific goals today, tomorrow, and many years into the future. If we can answer any questions along the way or provide more information, contact us by phone or email, or return the enclosed card. We will be happy to send our free brochure, *Making a Difference*, that provides additional information on smart ways to give. Thank you for your generosity and thoughtfulness.



Blended gifts simply refer to a combination of giving strategies—often, a current donation combined with a gift designed to be executed sometime in the future. There are two reasons why blended gifts are appealing. First, this strategy lets donors enjoy the satisfaction of making an impact today and also benefiting our organization tomorrow. Second, blended gifts can meet specific needs in highly satisfying and personal ways because of the different ways gifts can be combined.

## Assets and Timing

No matter which gift options are selected, donors also need to choose which assets to give and when to give them. Each type of asset can have a different impact on taxes as well as on personal planning goals and needs. Here are some frequently used options:

- **Cash**—Donors qualify for a tax deduction for the amount of the gift.
- **Appreciated Stock**—Donors qualify for a tax deduction for the fair market value of the appreciated stock and entirely avoid any capital gains tax on the appreciation.
- **IRA Gift**—Donors over age 70½ can transfer up to \$100,000 per year from an IRA directly to Mount Sinai South Nassau. Although there is no charitable deduction, distributions are excluded from income and count toward the donor’s annual required minimum distribution. (Note: The SECURE Act of December 2019 brought new rules for RMDs. Contact us for more information.)
- **Retirement Plan Assets**—Donors can make our organization the beneficiary of assets held in an IRA, 401(k), or other retirement plan. Since these assets are considered “income in respect of a decedent” (IRD), it is beneficial to keep them out of the estate. IRD assets are highly taxed and have the potential of being taxed twice in very large estates—once in the estate and again to the beneficiary (a child, for example). Leaving these assets to our organization avoids this taxation.
- **Real Estate** (a residence, vacation home, or other property)—Like stock, real estate can appreciate substantially. Making a gift of real property can provide an immediate tax deduction for the fair market value of the property and avoid capital gains tax on the appreciation. This is a good choice for donors who find property ownership burdensome due to property taxes, maintenance, and insurance.
- **Life Insurance**—Donating a policy that has outlived its original protection purpose is an easy way to give to charity without diminishing the estate. Simply name us as beneficiary to create a deferred gift. It is also possible to make a gift of a paid-up policy.

Often, the choice of assets and giving strategy will determine the timing of the gift. While blended gifts typically combine the enjoyment of a current gift with the satisfaction of a lasting charitable legacy, there are few guidelines that must be followed to achieve a successful result. With such built-in flexibility, timing really depends on personal goals and preferences.



# Blended Gifts: Two Examples

## *Making the most of an IRA*

Martin, age 75, is pleased that he can comfortably make a gift from his IRA each year that counts toward his required minimum distribution (RMD) and pay no tax on the distribution. For him, it's an ideal way to support our work and avoid the tax he would have to pay if he received the RMD. Since we are not required to pay tax on the gift, the full amount supports our work.

After consulting with his advisor, Martin takes his giving one step further and creates a blended gift by naming us the beneficiary of his IRA. The funds are still available to Martin if he needs them. At his death, Mount Sinai South Nassau will receive the funds in the account—an amount that will not be reduced by taxes.

## *A legacy gift of stock*

Comfortable with her long-term financial outlook, Connie donates to us highly appreciated stock valued at \$50,000 that she has held for several years. She pays no capital gains tax on the stock's appreciated value—a welcome tax benefit.

In conjunction with the gift of stock, Connie plans a blended gift by designating in her will that 25 percent of the value of her estate be given to Mount Sinai South Nassau to support our endowment fund. This arrangement meets Connie's goals of providing for loved ones through her estate *and* making a major gift to support work that is deeply meaningful to her.

*Examples are for illustrative purposes only*



## Increase Your Planning Options

When considering a blended gift strategy, remember that some gift options benefit you or family members in unique ways.

### *A beneficiary designation*

A simple and effective planning option that can be part of your charitable legacy is to name Mount Sinai South Nassau the beneficiary of a life insurance policy, retirement account, or savings account. You can make a lasting difference in our work without disrupting your current financial strategy. And similar to a gift in your will, you can change a beneficiary designation if your needs change. It is easy to combine this type of future gift with a current gift to accomplish your charitable goals. Perhaps now is a good time to review the beneficiary designations on your insurance policies and other accounts to make sure they are up to date.

### *The charitable remainder trust*

With a charitable remainder trust (CRT), after you transfer property (cash or securities, for example) to the trust, the trust pays an income for life (or a period up to 20 years) to the named beneficiary or beneficiaries (there can be more than two). At the end of the trust term, the remaining amount is distributed to us as a gift. There is a great deal of flexibility regarding how benefits are paid, and your gift qualifies for a charitable deduction equal to the present value of the deferred gift we will receive.

### *The charitable lead trust*

A charitable lead trust (CLT) makes annual income payments to us for a specified number of years (you select the duration when you set up the trust). After this period, what remains in the trust passes to your designated noncharitable beneficiaries (you, your spouse, children, grandchildren, or others). With a CLT, you immediately support our work in a way that can reduce overall taxes. The tax benefits vary depending on how the trust is set up, who receives the remainder, and when the remainder is received. A CLT that eventually pays remaining assets to beneficiaries other than the donor is often used to pass wealth to family members while minimizing transfer taxes.



## BLENDED GIFT POSSIBILITIES

How you construct a blended gift depends on your goals and circumstances. The following chart shows possibilities to consider with your advisors. Some assets are more favorable than others to leave to heirs, and that is a factor in planning a blended gift.

GIFT ASSET	HOW THE ASSET CAN BE USED
Cash	Outright gift, charitable trust, gift in will
Appreciated stock	Outright gift, charitable trust, gift in will
Real estate: residence, vacation home, or other property	Outright gift, charitable trust, gift in will
Life insurance	Beneficiary designation, gift of paid-up policy
Retirement account assets	Beneficiary designation
Personal IRA	Beneficiary designation, gift by direct transfer to us if you qualify (age 70½ or over)



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## What's Right for You?

Blended gifts are unique—in fact, they are as unique as you are! There are many options and combinations that can help you meet personal and philanthropic goals in highly individual ways. Any asset that you might use to make a gift can likely be included in blended gift planning.

Please contact us if you would like to know more. Working together, we can help identify a blended gift strategy that fits your planning needs in a meaningful way. When you contact us, we will send our free brochure, *Making a Difference*. Thank you for thoughtfully supporting Mount Sinai South Nassau.