

## **From Farm to Community: How to be Smart About Your Assets and Philanthropy**

### **Presenter**

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**We make a living by what we get.  
We make a life by what we give.**

*-Winston Churchill*

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## Case Study: Mike and Mary Farmer

- Mike and Mary are both 68 years old
- Their net worth is \$20,680,000
- 90% of their estate is in farm land, which they desire to keep in the family
- Neither are eligible to buy life insurance
  - Mike has some heart trouble
  - Mary battled cancer 5 years ago
- They support several local charities
- Here is how they used three (3) Philanthropic Planning Tools to help keep the farm in the family

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### Tool #1:

## Donor Advised Fund

Mike and Mary Farmer

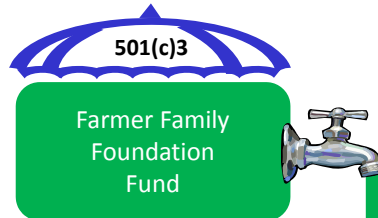


Farmers receive recognition in community

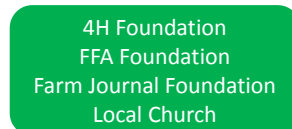
Give \$10,000 cash



Get Charitable Income Tax Deduction for \$10,000



Make grants to favorite charities



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## Donor Advised Fund (DAF)

- Cash or appreciated assets gifted to a DAF at a national or local community foundation
- You are the Advisor of the Fund for making grants during your lifetime
- You can name your children to act as Advisors of your fund to carry on your legacy
- You can request that grants be made to your favorite charities at future dates of your choosing
- Great way to prefund in a lump sum for future charitable gifts
- Centralizes your charitable giving through one collection device

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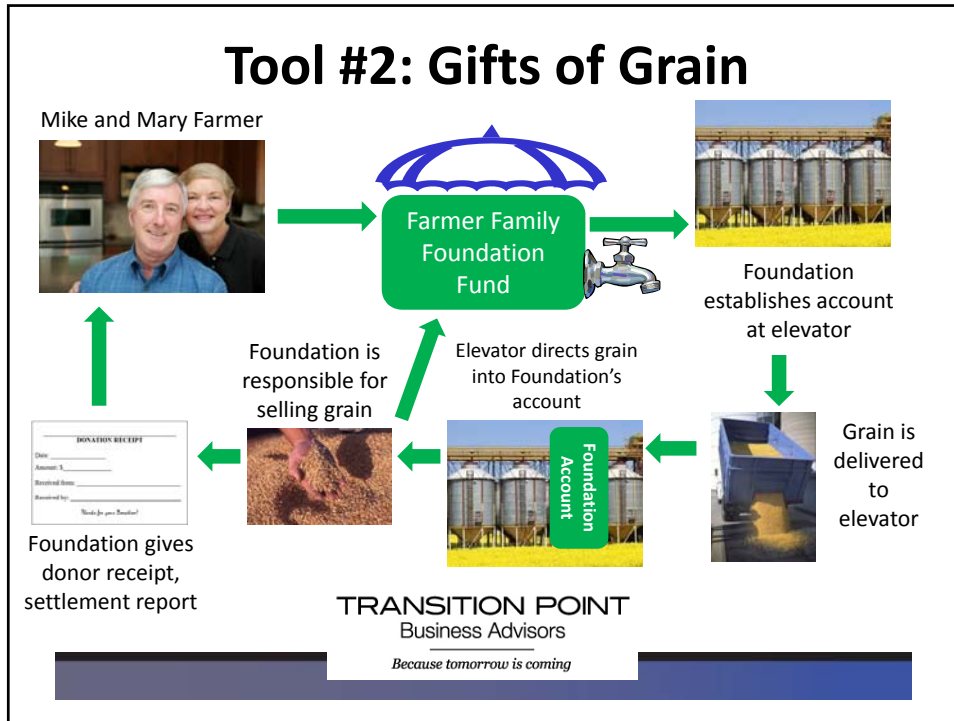
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## Examples of DAF Host Organizations

- American Endowment Foundation  
[www.aefonline.org](http://www.aefonline.org)
- National Christian Foundation  
[www.nationalchristian.com/givers](http://www.nationalchristian.com/givers)
- Renaissance Charitable Gift Fund  
[www.rcgf.org/DAF](http://www.rcgf.org/DAF)

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## Comparing Gift of Grain To Cash

		Gift of Cash	Gift of Grain
1	Gross Self-Employment Income	\$500,000	\$500,000
2	Gift of Grain (Income Avoidance)	\$0	(\$100,000)
3	Self Employment Taxes	\$13,745	\$12,406
4	Adjusted Gross Income	\$486,255	\$387,594
5	Personal Exemptions	\$0 (after phaseout)	(\$2,528)
6	Standard Deduction	N/A	(\$12,300)
7	Charitable Tax Deduction	(\$100,000)	\$0
8	Deduction Phaseout	+\$5,498	\$0
9	Total Deductions	(\$94,502)	(\$14,828)
10	Taxable Income	\$391,753	\$372,766
11	Total Federal Tax	(\$134,741)	(\$124,966)
12	Illinois State Tax	(\$24,103)	(\$19,170)
13	Net After Tax Income	\$232,909	\$228,630
14	Plus Cash On Hand	\$0	\$100,000

## Gifts of Grain

- Notify the Foundation host that you intend to make a contribution of grain into your DAF
- This allows the Foundation to establish an account at the grain elevator
- The grain is delivered to the elevator
- Elevator directs the specified portion of grain into the Foundation's account
- Foundation takes responsibility of the grain
- Foundation provides donor a receipt
- Foundation provides donor settlement report

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## Tool #3: Charitable Lead Annuity Trust

Mike and Mary Farmer



Create LLC for land

Transfer \$10 million of farmland into a new LLC in exchange for LLC units back to them

35% valuation discount applied to LLC units

Heirs receive LLC holding farmland back in 20 years, free of estate taxes

Remainder

20-year TCLAT established at death; receives \$6.5 million of LLC units

6% Income

Farmer Family Foundation (DAF) receives approx. \$400,000/year

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## Before and After

		"As Is"	With TCLAT in place at 2 <sup>nd</sup> Death
1	Estate Value	\$20,680,000	\$20,680,000
2	Mike and Mary Passed Away in 2014; Federal Exemption Amount	(\$10,680,000)	(\$10,680,000)
3	New Estate Value	\$10,000,000	\$10,000,000
4	Taxable Estate Value	\$10,000,000	\$10,000,000
5	LLC Unit Discount	\$0	(\$3,500,000)
6	TCLAT Charitable Estate Deduction	\$0	(\$6,500,000)
7	Adjusted Taxable Estate Value	\$10,000,000	\$0
8	Top Estate Tax Rate	x 40%	x 40%
9	Estate Tax Due	<b>\$4,000,000</b>	\$0
10	Amount Passing to Family (Current and Deferred)	\$16,680,000	\$20,680,000
11	Amount to Family Foundation over 20 years	\$0	\$8,000,000

**The results of philanthropy are  
always beyond calculation.**

*- Miriam Beard*

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# Questions?

## Contact Information

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