

Planning can save you money and fund good work

By Jennifer Iacono, Esquire

The only way to assure that your finances, property, and family members are properly cared for after your death is through appropriate and adequate estate planning. This includes the drafting of a Last Will and Testament.

A Last Will and Testament allows you to designate: who will receive your assets at your death; and who will serve as your personal representative (the person who will pay your debts and distribute your assets to your beneficiaries).

A Last Will and Testament also provides an opportunity for charitable giving. Besides the personal satisfaction that comes with charitable donations, it also provides numerous potential tax benefits. Gifts to charitable organizations are fully deductible for estate tax purposes. In other words, a gift left to a charity in a Will is not subject to federal estate tax. This concept is also true for most state death taxes, including Pennsylvania and New Jersey.

The benefits of charitable giving are not limited to gifts left at death. Charitable giving during your lifetime also provides numerous potential tax benefits. Gifts to charitable organizations are generally deductible for income tax purposes, and a charitable gift of appreciated property can reduce or eliminate capital gains tax. Further, gifts to charitable organizations are fully deductible for gift tax purposes. As a result, a donor may make unlimited lifetime gifts to a charity completely free of gift tax.

An advantage of a lifetime gift to charity, over a testamentary gift, is that the lifetime gift provides the donor a double tax benefit: (1) the donor can claim an income tax deduction; and (2) the property will no longer be in the donor's estate, and thus not subject to estate tax at his death.

An example of the above mentioned concepts can be illustrated as follows:

Anna gives \$10,000 to her favorite charity. Generally, Anna can deduct the gift from her gross income before applying the income tax rates and paying income tax. If she is in a marginal 35 percent income tax bracket, her deduction saves her \$3,500 in income taxes. If her gift and estate tax marginal bracket is 45%, then this gift also saves her \$4,500 in gift tax.

At her death, Anna leaves the charity \$100,000. Anna's estate can deduct this amount against the federal estate tax, saving up to \$45,000, depending upon the value of her estate.

As a result of this planning, Anna has made \$110,000 in gifts to charity, and saved a total of \$53,000.00 in taxes.

Every individual has their own special circumstances. So it is prudent to consult with an attorney about your specific desires and plans.

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