

Charitable Planning with Closely-Held Businesses

A Case Study Approach





- A planned giving risk management consulting firm, specializing in:
- Non-cash asset receipt and disposition
- Charitable gift annuity risk management
- Gift annuity reinsurance brokerage services
- Appraisals for life insurance and virtual currencies
- Emergency assistance fund administration

To learn more, contact:

Bryan Clontz

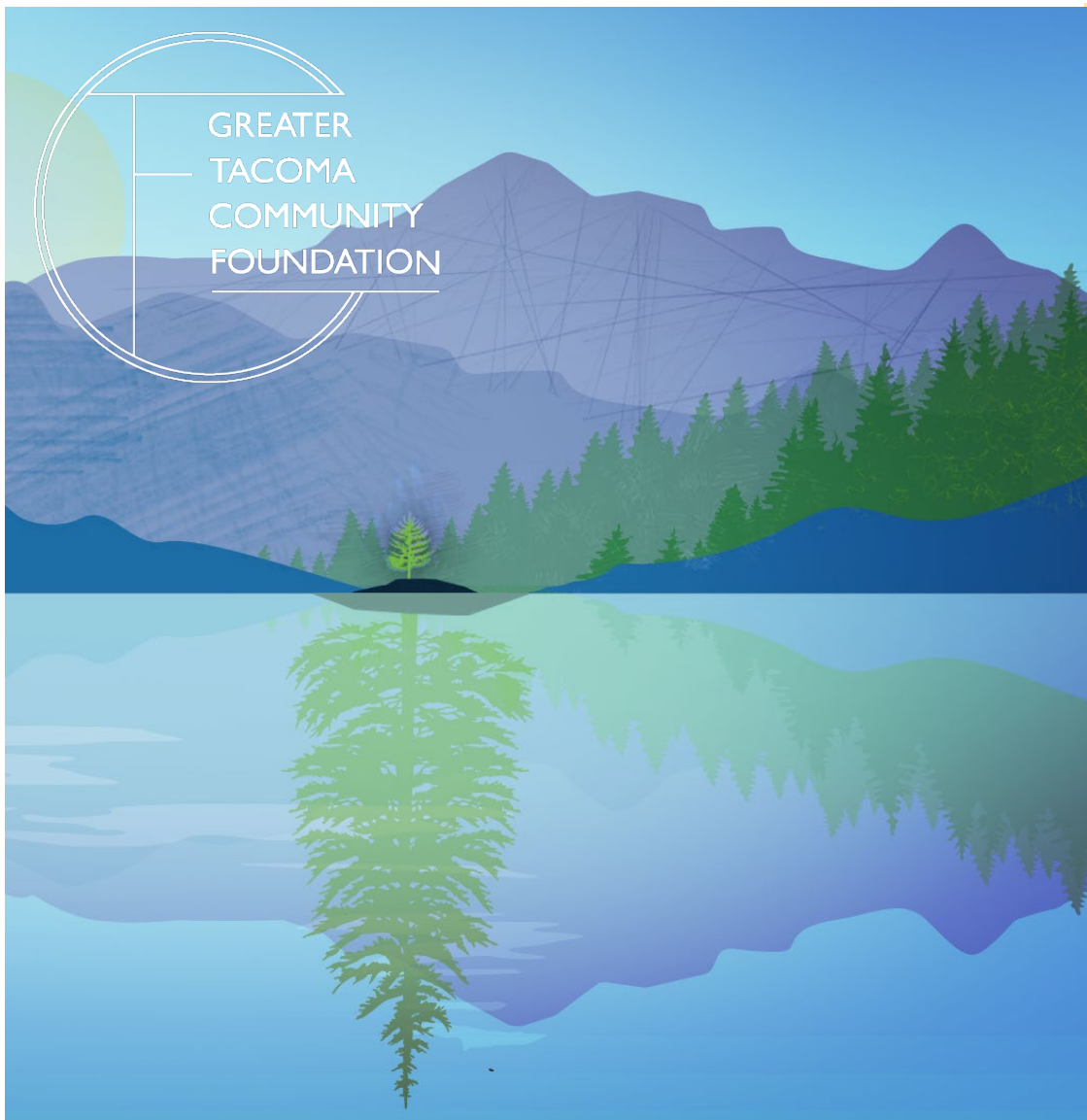
President & Founder

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<https://charitablesolutionsllc.com/>

Connecting People, Knowledge and Funding to Build a Thriving Pierce County



- Your philanthropic partner
- Traditional and innovative philanthropic solutions
- Suite of charitable funds
- Accept complex gifts
- Individually Managed Funds

To learn more, contact:

Evelyn Ryberg

Sr. Dir. Of Philanthropic Services

Greater Tacoma Community Foundation

eryberg@gtcf.org www.gtcf.org

TACOMA ESTATE PLANNING COUNCIL

- Educational and social forum for South Puget Sound estate planning professionals
- Members include Attorneys, CPAs, CFPs, Trust Officers, Chartered Life Underwriters, and other professionals focusing on estate planning
- Meetings occur the second Tuesday of the month from October through May

To learn more, contact:

Thomas Hong

President

Tacoma Estate Planning Council

tsh@fidcouns.com

www.tacomaestateplanning.org



- SEC Registered Investment Advisor, wholly owned subsidiary of RSM US, LLP
- Pacific Northwest team Specializes in:
 - Business transition planning
 - Legacy and charitable planning
 - Personal financial planning
- Local practice supported by 20-member national team that oversees compliance, technology platforms and operational needs
- Ranked No. 5 on *Accounting Today's* Top Firms by AUM, June 2020*

To learn more, contact:

Scott Hitchcock, Senior Director

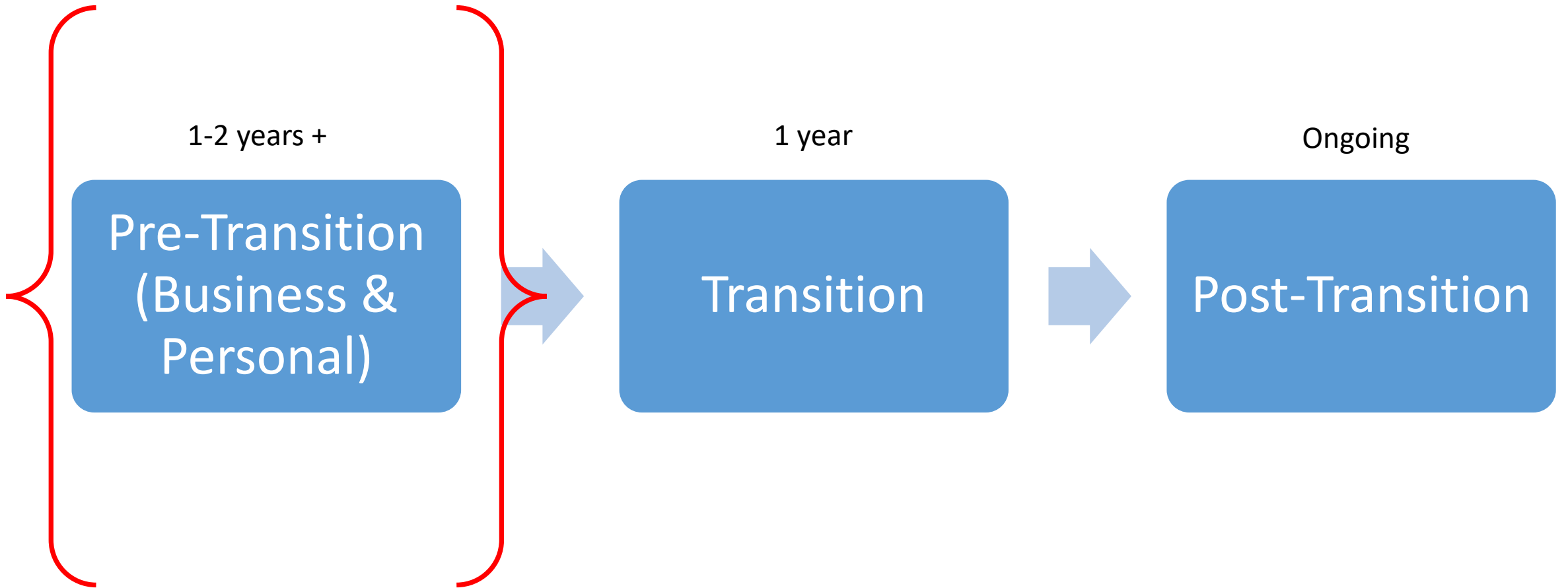
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<https://rsmus.com/what-we-do/services/wealth-management.html>

* <https://www.accountingtoday.com/report/the-top-firms-by-aum>

Business Owner Pre-Transition Planning is Critical



Integrated Pre-Transition Planning

Business

- Transition type
- Likely transition structure
- Sell side diligence
- Owner readiness

Personal

- Liquidity & cash flow planning
- Wealth transfer objectives
- Charitable intentions
- Investment planning
- Tax planning strategies

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Agenda

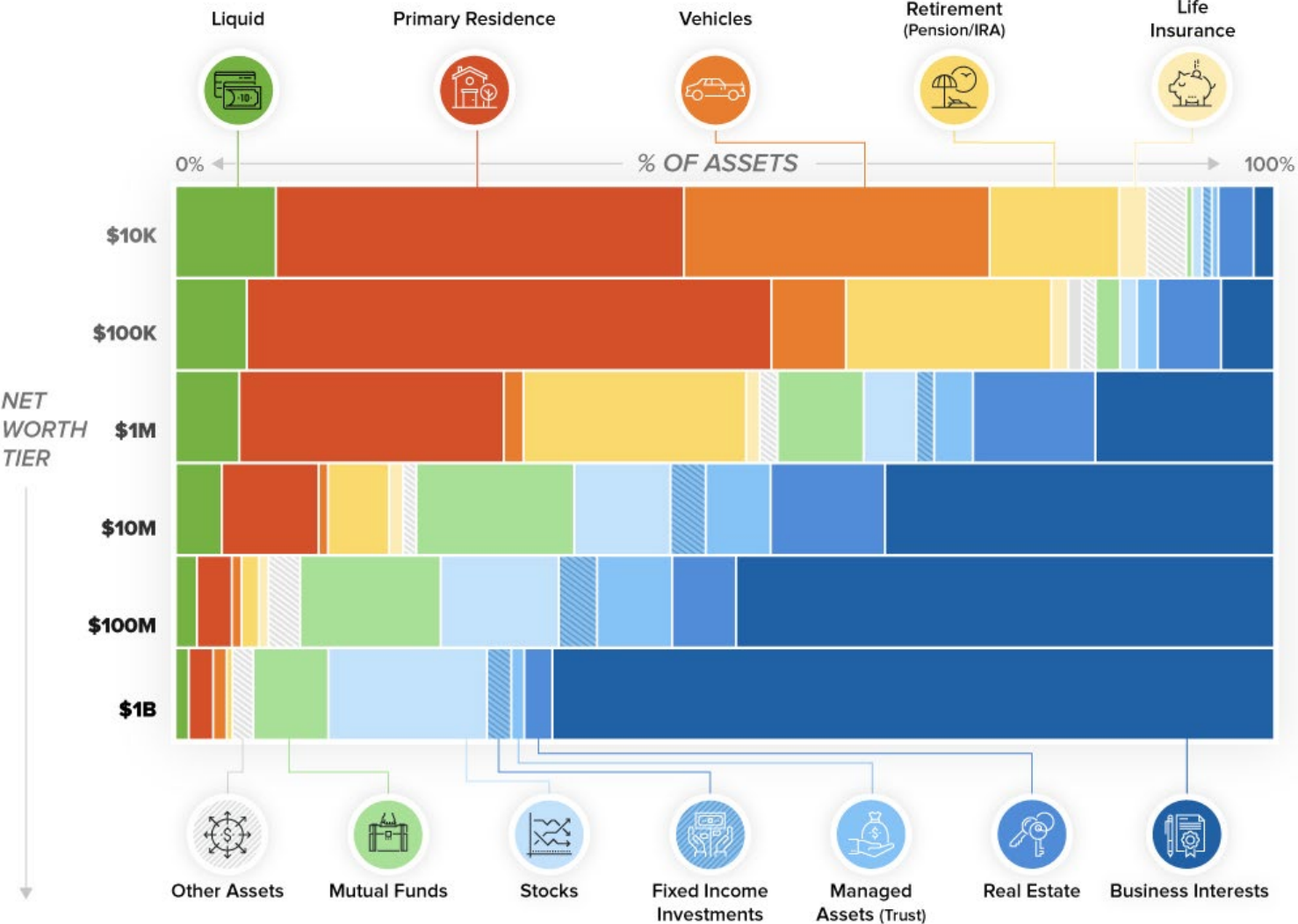
- Non-Cash Market Overview
- Closely-Held Asset Types
- A 5-Minute Non-Cash Tax Seminar
- Legislative Update
- Reasons Non-Cash Assets are Declined
- Top Ten Non-Cash Questions
- Two Case Studies

Polling Question

For your clients, what assets do you think are most likely to be donated?

1. Real Estate
2. Private Business Interests
3. Cryptocurrency
4. Art/Collectibles
5. Other

Non-Cash Assets: Market Overview

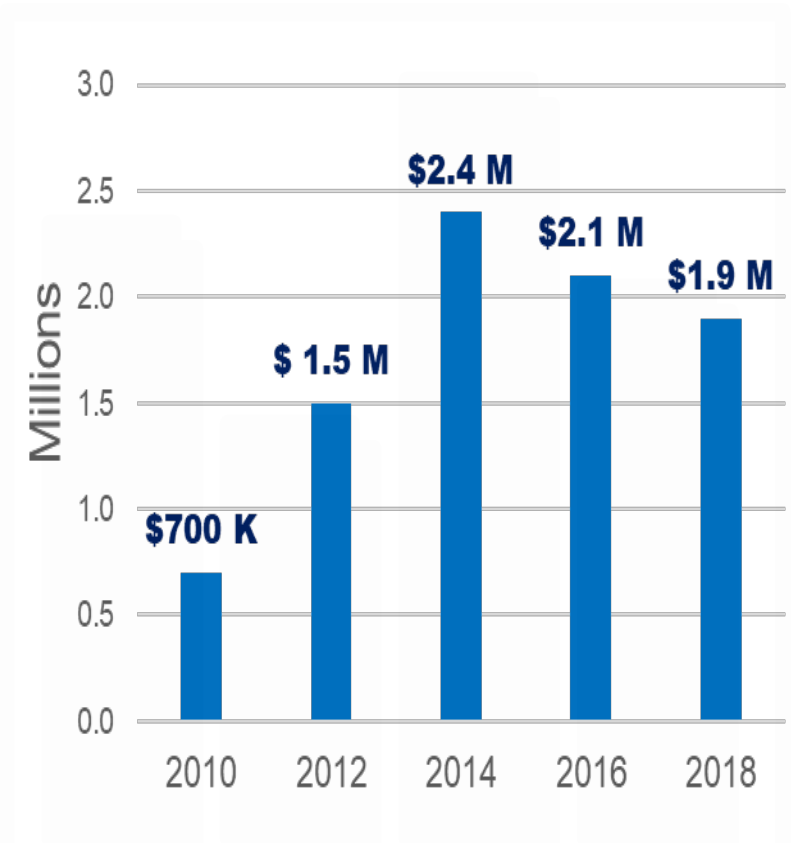
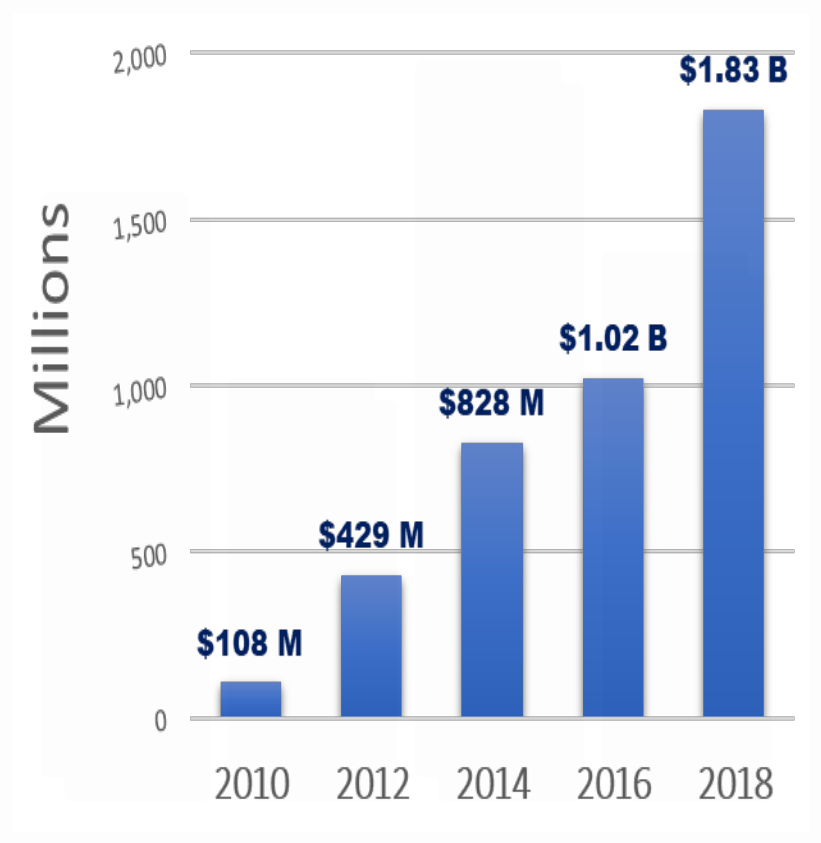


Source: [Chart: What Assets Make Up Wealth? \(visualcapitalist.com\)](https://visualcapitalist.com/chart/what-assets-make-up-wealth/)

Non-cash gifts have more than doubled in contributions and size to only three charities!

Non-cash gift contributions

Average value (size) of non-cash gifts



Source: Charitable Solutions, LLC 2020 based on 2018 990 data

Closely-Held Business Asset Types

- C-Corp
- S-Corp Stock
- Limited Partnerships
- LLCs

A 5-Minute Non-Cash Seminar

- Cash **BAD** – Everything else **GOOD!**
- Capital gain property receives a fair market value deduction AND an elimination of capital gains tax if donated to a public charity
- If donated to a private foundation, donations of non-cash assets during life only receive an adjusted cost basis deduction
- Public charities do not have a 5% payout requirement – private foundations do
- Donor advised funds are especially attractive for multiple grants—only one acknowledgment letter needed

Appraisal Considerations

- Appraisal may occur 60 days prior to gift at the earliest, and the latest being the time the donor files the tax return – Donor completes Form 8283 and Charity completes Form 8282
- Pension Protection Act Key Changes

Polling Question

What are the main challenges to non-cash donations from your perspective? Check all that apply.

1. Clients aren't aware this is an option
2. Other professional advisors aren't aware this is an option
3. Charities are not prepared to facilitate noncash gifts
4. Process is complex/confusing to clients
5. Other

80% Of All Non-Cash Gifts Rejected

- Tax and Legal Complexity
- Environmental Issues
- Management Issues
- Charity's Internal Process
- Perceived/Real Risk/Reward Ratio

Top Ten Non-Cash Questions

- Asset Description/Expected Value
- Asset Ownership
- Partial or Entire Interest
- Debt or Other Encumbrances
- Outright, Life-Income or Testamentary
- Capital or Ordinary Asset
- Tax Implications
- Potential Buyers and Offer Status
- Holding Period and Management Issues
- Transfer Timing

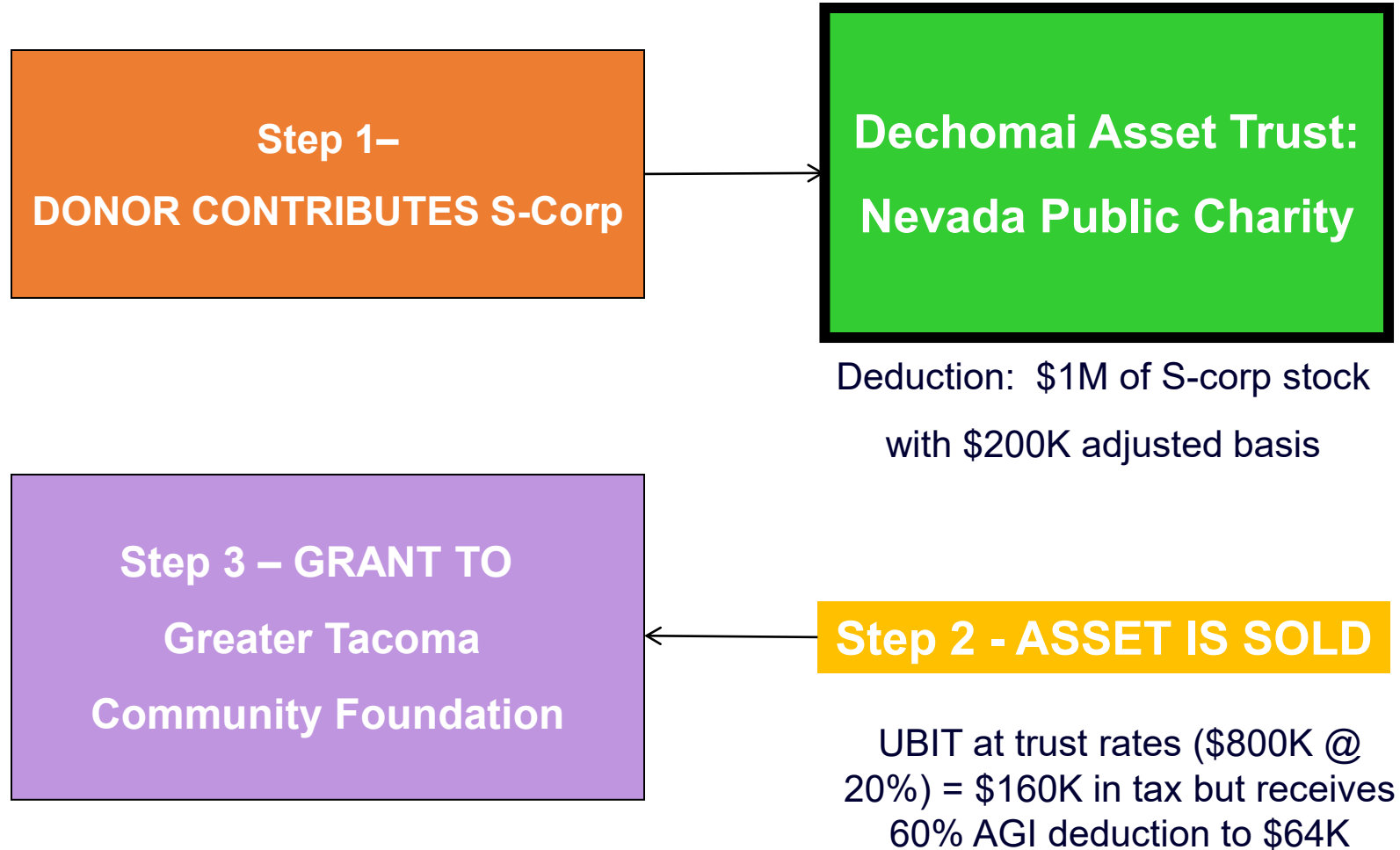
Polling Question

Have you helped facilitate a non-cash donation to charity?

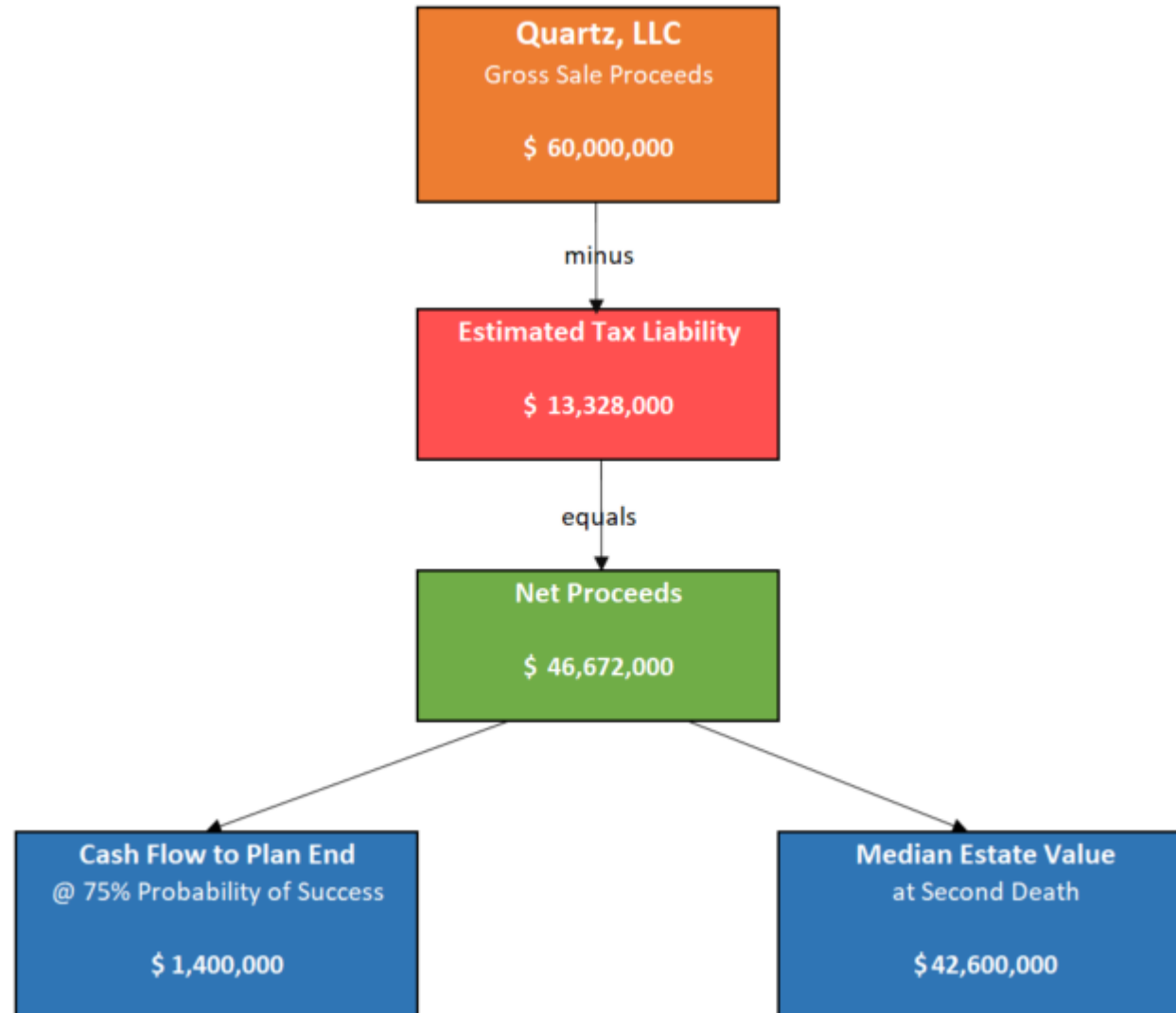
1. Yes
2. No



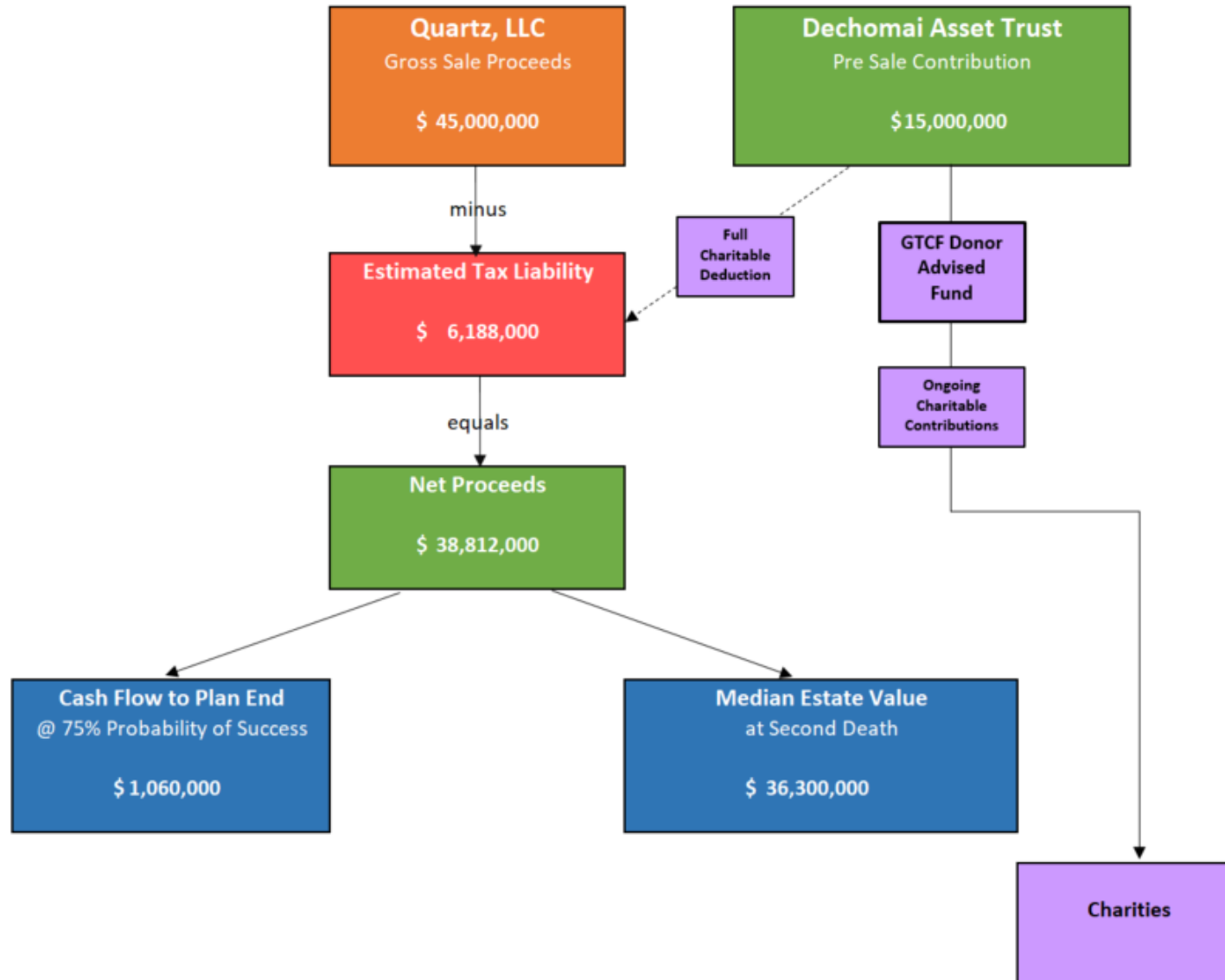
Case Study #1: S-Corp UBIT Solution/Dechomai Asset Trust Donation Flow



Case Study #2: Technology Business Sale



Case Study #2: Technology Business Sale



Case Study #2: Charitable Giving Results

Owners	Contribution to DAF	Estimated Tax Savings
Client	\$15,000,000	\$7,000,000
Owner 2	\$14,000,000	\$6,500,000
Owner 3	\$7,500,000	\$3,500,000
Owner 4	\$5,000,000	\$2,300,000
TOTAL	\$41,500,000	\$19,300,000

Transition Planning: Know Your Experts

- Identify client relationship lead (you)
- Wealth Advisor
- Attorney
 - Personal/estate
 - Corporate Counsel
- CPA (personal & business)
 - Compliance
 - High net worth
 - Assurance
- Other:
 - Valuation
 - Business broker
- GTCF
- TEPC
- Charitable Solutions (Dechomai Asset Trust)

Question & Answer Session



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