

Strategic Charitable Giving: Navigating Deductions and Legacies through Trusts and Estates

An individual has the opportunity to take itemized charitable contribution deductions while they're alive. When someone transfers assets to a trust or they die with assets and leave them to their estate, yet they have planned for charity to receive some or part of those assets, it may be the case where the trust or estate doesn't qualify for a charitable deduction.

The IRS requires certain rules be enforced in part of the trust and estate planning documents in the drafting of those documents in order for those deductions to qualify for deductibility. If you do qualify for deductibility at the trust or state level, it actually can be more beneficial than to the individual because there isn't the adjusted gross income limitation as there is to individuals. On the third corner of this whole process there is not the ability to carry over excess contributions by a trust or estate.

So really planning for how and when to give charitable contributions, whether during life or at death, is important. During life you might consider a donor advise fund or charitable trust, receive a charitable deduction up front, which at the same time reduces your gross estate, so all things to consider.

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