Creative Charitable Planning with Noncash Assets

A Case Study Approach

Bryan Clontz, Ph.D., CFP®, CAP®, AEP® Distinguished President, Charitable Solutions, LLC
bryan@charitablesolutionsllc.com (404) 375-5496

Copyright 2023
Agenda

• Non-Cash Market Overview
• Non-Cash Asset Types
• A 5-Minute Non-Cash Tax Seminar
• Reasons Non-Cash Assets are Declined
• Two Case Studies
Non-Cash Asset Market Overview

• More than half of affluent investors’ assets are held in non-cash assets; cash only represents 6-8% (3% for Census households)

• Aggregate stock market value is approximately $33 trillion; non-cash market estimates are $55-65 trillion

• Of the $390 billion in donations last year, non-cash assets are estimated to be 6-8%

Source: Spectrum 2010 HNW Survey
## Dechomai Noncash Assets in 2021

<table>
<thead>
<tr>
<th>Type</th>
<th>Sub-Type</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Donations</td>
<td></td>
<td>261</td>
<td>$1,177,317,142</td>
</tr>
<tr>
<td>Real Estate</td>
<td></td>
<td>61</td>
<td>$42,663,620</td>
</tr>
<tr>
<td>Business Interests</td>
<td></td>
<td>151</td>
<td>$1,081,864,728</td>
</tr>
<tr>
<td>C-Corp</td>
<td></td>
<td>49</td>
<td>$506,194,583</td>
</tr>
<tr>
<td>S-Corp</td>
<td></td>
<td>14</td>
<td>$55,780,695</td>
</tr>
<tr>
<td>LLC/LTD/LP/GP</td>
<td></td>
<td>89</td>
<td>$519,889,450</td>
</tr>
<tr>
<td>Cryptocurrency</td>
<td></td>
<td>37</td>
<td>$28,142,376</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>7</td>
<td>$3,430,548</td>
</tr>
<tr>
<td>Other (Foreign Stock, Life Insurance, Public Benefit Corporation)</td>
<td></td>
<td>4</td>
<td>$21,215,870</td>
</tr>
</tbody>
</table>
## Dechomai Noncash Assets in 2022

<table>
<thead>
<tr>
<th>Type</th>
<th>Sub-Type</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Donations</td>
<td></td>
<td>154</td>
<td>$ 560,572,932</td>
</tr>
<tr>
<td>Real Estate</td>
<td></td>
<td>48</td>
<td>$ 45,424,123</td>
</tr>
<tr>
<td>Business Interests</td>
<td></td>
<td>91</td>
<td>$ 496,831,540</td>
</tr>
<tr>
<td>C-Corp</td>
<td></td>
<td>29</td>
<td>$ 111,956,123</td>
</tr>
<tr>
<td>S-Corp</td>
<td></td>
<td>9</td>
<td>$ 26,835,490</td>
</tr>
<tr>
<td>LLC/LTD/LLP/Other</td>
<td></td>
<td>49</td>
<td>$ 7,167,280</td>
</tr>
<tr>
<td>Cryptocurrency</td>
<td></td>
<td>6</td>
<td>$ 7,013,643</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>3</td>
<td>$ 3,655,000</td>
</tr>
<tr>
<td>Other (Foreign Stock, Life Insurance, Public Benefit Corporation)</td>
<td></td>
<td>6</td>
<td>$ 7,648,626</td>
</tr>
</tbody>
</table>
Non-Cash Asset Types
(Minority or Majority Interest)

• Privately-Held Interests
  * C-Corp, S-Corp, Limited Partnerships or LLCs

• Real Estate
  * Residential vs. Commercial, Encumbered vs. Unencumbered, International vs. Domestic

• Restricted Stock

• Tangible Personal Property – Art/Collectibles

• Weird Stuff
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

• **Qualified appraiser completes qualified appraisal**
  * May occur 60 days prior to gift at the earliest, and the latest being the time the donor files her tax return
  * Donor completes Form 8283
  * Charity completes Form 8282

• Considerations:
  * Appraiser may be penalized for inflating value
  * Value may incorporate discounts for control/marketability on minority interests
  * Donor selects, engages and pays appraiser
80% Of All Non-Cash Gifts Rejected

- Tax and Legal Complexity
- Environmental Issues
- Management Issues
- Charity’s Internal Process
- Perceived/Real Risk/Reward Ratio
Case Study #1: Commercial Real Estate Contribution

$1.2 million/20% Interest

Four Doctors Owned $6.0 Million Medical Building

Four Donor-Advised Funds

$1.2 million/20% Interest

Building Purchased by Publicly-Traded REIT

Four 7 Percent Charitable Remainder Trusts For Life

Multiple Grants To Multiple Charities

For illustrative purposes only.
Case Study #2: S-Corp UBIT Solution/Dechomai Asset Trust Donation Flow

**Step 1 – DONOR CONTRIBUTES S-Corp**

**Step 2 - ASSET IS SOLD**

Dechomai Asset Trust: Nevada Public Charity

Deduction: $1M of S-corp stock with $200K adjusted basis

UBIT at trust rates ($800K @ 20%) = $160K in tax but receives 60% AGI deduction to $64K

**Step 3 – GRANT TO CHARITY**