



KARDIA

FAMILY WEALTH COUNSELING

Keeping the heart of God at the heart of planning

Who Sets the Limit on Your Giving?

Affluent Christian families have become so conditioned by the appeal of the IRS' "matching gift program" that many have unconsciously allowed the IRS to set the ceiling on their charitable giving – namely 50% of their Adjusted Gross Income (AGI). What I mean by "matching gift program" is that the IRS agrees that for every one dollar you give to support Kingdom causes, it will reimburse you 40% of that gift (assuming a maximum tax bracket). So, for each dollar a family gives, they are giving 60 cents and the IRS is giving 40 cents - a really nice deal! But this IRS "matching gift program" only applies to gifts made up to 50% of your AGI. If you want to give beyond that 50% AGI limitation, you lose the benefit of the IRS' "matching gift program". Two critically important issues seem to emerge in this situation that I think need to be honestly and carefully considered – one of these issues is spiritual and the other is financial.

The Spiritual Issue

Who is setting the ceiling on your giving – God or the IRS? What if God wanted you to give 60% of your AGI away this year? Is there any biblical or spiritual basis upon which we should allow the taxing agency of our country to regulate how much we give away? What if the IRS' "matching gift program" was reduced to 25% of your AGI next year, would you consequently reduce your maximum giving to only 25%? What if it went away altogether?

Do you see my point? If we genuinely believe that everything we possess belongs to the Lord, our primary question should be, **"How much of what the Lord has entrusted to me does He want me to deploy this year, regardless of any limits set by the "matching gift program" of the IRS?"** We should be seeking God's criteria for how much we will give of what we have this year and not allowing the IRS' "matching gift program" to set our limit of giving?

Might it be an uncomfortable conversation with the Lord if He were to ask us why we didn't give away more of the surplus He entrusted to us? Might we respond, "Well, you know Lord, there was this 50% tax deductible limit on my AGI giving and I didn't want to exceed that. You know, I wanted to be a good steward."

What if the Lord were to look at you and say, "If you were that concerned about being a good steward, why didn't you more carefully explore all your giving options? There were strategies that could have allowed you to tax efficiently give much more than you did, but you didn't take advantage of them."

Unless God has clearly told you to set your limit of giving at 50% of your AGI, it might not be a good idea to get real comfortable with that ceiling as your chosen giving limit. Remember, "Woe to those who are at ease in Zion." (Amos 6:1)

The Financial Issue

What if I were to tell you that with creative planning you could exceed 50% of your AGI in giving and still effectively participate in the IRS' "matching gift program"? And what if I told you that you can use your current charitable giving to transfer your children's inheritance to them gift/estate tax free? Would these possibilities pique your curiosity?

Let me give you a simple scenario of how it might work. (Note: This illustration has been greatly simplified for this article.)

Jim and Barbara Brown have a net worth of about \$30 million. His AGI is consistently about \$2 million annually. They both love the Lord dearly and each year they give away about \$1 million (50% of their AGI) of their annual income to support a host of Christian ministries and initiatives that they care deeply about. They, like other generous Christians, have arbitrarily set a limit on their annual giving to be equal to 50% of the AGI in order to take advantage of the IRS' "matching gift program". The Browns have three sons that are already getting into their real estate business with them and they want to eventually turn over their entire real estate operation and holdings to them. Needless to say they are facing massive gift and/or estate taxes if and when they transfer these real estate assets to the boys. They were open to giving more away annually, but wanted to do it in the most tax effective way possible.

As part of a comprehensive Master Stewardship Plan, Jim and Barbara will place three of their commercial buildings (worth about \$7 million) into an Accelerated Inheritance Trust (AIT). The trust will donate its annual \$500,000 income directly to their family foundation for Kingdom deployment. All this trust income now bypasses their AGI reducing it to \$1.5 million. This means that their new deductible AGI giving limitation is now only \$750,000. However, 100% of the AIT trust income

(\$500,000) is going directly to their foundation bypassing their AGI giving limitation altogether. This integrated giving strategy increases the Brown's total, "tax deductible," annual giving to \$1.25 million or 63% of their original AGI.

	Old Giving Plan	New Giving Plan
AGI	\$2,000,000	\$1,500,000
50% AGI Giving	\$1,000,000	\$750,000
AIT Giving	\$0	\$500,000
Total Annual Giving	\$1,000,000	\$1,250,000
% of Giving	50%	63%

What makes this strategy even sweeter is that after fifteen years, the Accelerated Inheritance Trust (AIT) will terminate and its \$7 million of real estate holdings will pass to their three son's gift tax free – saving them over \$3.5 million in transfer taxes and not using any of their lifetime exclusions.

Intelligent planning by the Browns increased their "tax deductible" giving over the next fifteen years by \$3.75 million, passed a \$7 million inheritance on to their sons and eliminated the \$3.5 million gift tax on the transfer. The Browns indeed viewed this as a win-win-win situation.

Jesus called us to be "shrewd as serpents and as innocent (honest) as doves." (Matt. 10:16) Jim and Barbara certainly were both shrewd and honest in managing and deploying what the Lord had entrusted to them. I think when they each stand before the Lord, they will no doubt hear, "Well done, good and faithful steward."

The author, E. G. "Jay" Link, is both an ordained minister and the President/CEO of Kardia, Inc., a ministry that specializes in assisting wealthy Christian families with the stewardship of all of their life resources. He is also the author of the book Family Wealth Counseling: Getting to the Heart of the Matter. Mr. Link may be reached via email at jlink@KardiaPlanning.com.