



# KARDIA

FAMILY WEALTH COUNSELING

*Keeping the heart of God at the heart of planning*

## Stop Writing Checks!

A fascinating fact is that over 80% of all gifts received by non-profit ministries are cash, yet only 7% of affluent believers' net worth consists of cash. That should be no surprise to anyone. Most wealthy people are wealthy not because they invested in money market accounts and CDs. They are wealthy because they invested in real estate, businesses and other non-liquid assets. Look at your own giving over this past year. How much of what you gave to the Kingdom was in cash and how much of it was in the form of non-cash gifts?

The fact of the matter is that of all the things you have to give, cash offers the least “bang for the giving buck”. Let me explain why. Let's assume you want to give a ministry \$100,000 this year. You have the \$100,000 in the bank and you intend to write them a check. If you give the \$100,000 in cash you will save about \$35,000 in taxes so your gift only costs you \$65,000.

What if instead of giving cash, you selected some of your best performing investment assets equaling \$100,000 to give? (Let's assume the stock's basis is only \$10,000.) You now give the stock instead of the cash. You still save \$35,000 in income taxes, but you also “wash out” \$13,500 in unrealized capital gains taxes as well. This brings the net cost of the gift down to only \$51,500.

I shared this idea with a client of mine some years ago and he objected to my proposal by telling me that he liked that stock, he expected it to continue to grow in the future and he didn't want to get rid of it. I smiled and explained to him that if he liked the stock that much he could turn around and buy it right back with the \$100,000 of cash that he was now not going to be giving away. (In fact, he could buy exactly the same stock right back from the ministry he just gave it too.) Now his new basis

in his favorite stock is \$100,000 (100%) instead of only \$10,000 (10%) and those unrealized capital gains taxes will never be realized. Once he understood this concept, he expressed this look of, “Duh!”, on his face. This very astute businessman had for years simply missed the added leverage of gifting assets instead of cash to the ministries he supported.

I recently heard about a wealthy donor who walked into the President of a major ministry's office to give him a check for \$1 million for their ministry. The President had known this donor for years and said, “Jim, I am not going to take your check. There is a better way for you to give us \$1 million than with a check. Let's go talk to your financial advisors.” This ministry President is one of a very few that really understood the added leverage of making asset gifts instead of cash gifts to ministry.

There are a vast number of creative ways to give without personally writing a check. Let me give you just a few. You could set up a trust that pays all its income to Kingdom ministries for a period of years and then it terminates at a specific time and the assets pass to your heirs gift tax free. All the trust giving bypasses you entirely, allowing you to

explode your total “tax deductible” giving to well over 50% your AGI.

We have one client family who gave a huge portion of their rental real estate holdings to their foundation (public, not private). Now 100% of this rental income is paid directly to their family foundation tax free and their foundation writes all their giving checks to ministries. Additionally, this family received a huge income tax deduction for the initial gift that they were able to use up over the next six tax years. Also, if and when that real estate sells, there will be no capital gains taxes since it is now owned by a non-profit entity.

We have structured buy/sell agreements that included gifts of company stock to a ministry that was immediately bought right back by the new owner. The ministry had cash and the former owner of the company owed no capital gains taxes on the sale of his company stock.

We have set up Charitable Employee Stock Ownership Plans that allow families to pull millions of dollars out of their corporations tax free to fund their buyout with those millions of dollars ultimately finding their way into the Kingdom.

We helped a couple who wanted to gift a portion of the sale of a piece of highly appreciated development real estate to some ministries they supported. Instead of the traditional idea of selling the real estate and then making a gift from the sale proceeds, we help them set up a strategy where the real estate was to be partially gifted to the family's

foundation and partially retained. They received a substantial charitable income tax deduction and avoided all the capital gains taxes on the gifted portion of the land. The property sold and the real estate was turned into cash, but a much larger amount of money ended up going to ministry because the family didn't have to pay any capital gains taxes on the amount they gifted.

If you possess closely held company stock, Limited Liability Company (LLC) units, Family Limited Partnership (FLP) units, excess manufacturing inventory, real estate holdings, personal residences, personal property or publicly traded securities, these ought to be the first place you look for funding for both your immediate and your deferred Kingdom giving. Creative and competent counsel will be able to help you structure the more complex gifts. The simpler ones (i.e. gifts of stock) are clean, simple and are very easy to do.

Let me suggest that your ultimate planning goal should be to never write another personal check to any ministry ever again. I think you might be able to see now why it is in your and the Kingdom's best interest if you didn't.

*The author, E. G. “Jay” Link, is both an ordained minister and the President/CEO of Kardia, Inc., a firm 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](mailto:jlink@KardiaPlanning.com).*