Although it may seem illogical, now is the time to start considering options for year-end charitable gift planning to charities including The Hadley School for the Blind. The tax law for 2012 is clear and we know the rules that are scheduled to be in place when the “Bush-era” tax cuts expire at the end of the year. We do not know what changes, if any, to the 2013 law will be enacted by Congress and the President. However, as legislative proposals surface, there may be some guidelines to work with.

Based on the recent history of last minute legislation, it may be prudent to consider various “what if” scenarios comparing the tax benefits of making charitable contributions in 2012 or 2013. However the exemption from gift and estate tax is the highest it has ever been. The current exemption is $5,120,000 ($10,240,000 for married couples). For estate planning purposes, this exemption may change if legislation alters the rules and variables. Estate planning purposes, the current exemption is $5,120,000 ($10,240,000 for married couples). Exemption from gift and estate tax is the highest it has ever been. However, the exemption is scheduled to revert back to $1 million on January 1, 2013.

Unfortunately, the income tax benefits of making a charitable contribution in 2012 versus 2013 are not obvious. Although the 2013 tax rate is scheduled to increase, it is wrong to automatically assume that a contribution in 2013 will save more tax than the same contribution made in 2012. Limitations to itemized deductions may actually cause the tax benefit to be less in 2013 than in 2012. In addition, utilizing other tax planning options such as accelerating recognition of income into 2012 and deferring other deductions into 2013 may impact the tax benefit of the charitable contribution. Therefore, it is prudent to test various “what if” scenarios and compare the tax benefits of a charitable contribution in 2012 and 2013 under the different rules and variables.

For estate planning purposes, the current exemption is $5,120,000 ($10,240,000 for married couples). Exemption from gift and estate tax is the highest it has ever been. However, the exemption is scheduled to revert back to $1 million on January 1, 2013. The tax rate is scheduled to increase from 35% to 55%. Wealthy individuals may therefore choose to gift substantial wealth to younger generations before the end of the year and reduce their taxable estate and related estate tax in future years by leaving assets to charity in their estate. 

By Alan H. Spigelman, CPA, a partner, Private Client Services, at McGladrey & Pullen, LLP

Based on the recent history of last minute legislation, it may be prudent to consider various “what if” scenarios comparing the tax benefits of making charitable contributions in 2012 or 2013.

Dr. Richard Kinney Endowment for Blinded Veterans Established

Though young to be a trustee, John Mabie agreed to join Hadley’s board in 1962, at the encouragement of family friend and trustee, Mrs. Burnham M. Fisk. In 1969 he became the school’s first chairman, following Clarence Boyd Jones, the school’s first board president, from 1953 to 1969.

Now, on his 50th anniversary of becoming a trustee, John has established a new endowment in honor of Dr. Richard Kinney, Hadley’s beloved administrator from 1954 to 1975 and president from 1975 to 1979. The Dr. Richard Kinney Endowment for Blinded Veterans will provide ongoing support for Hadley’s work with veterans and their families.

John was born and raised in Winnetka, where he attended New Trier High School. After graduating from Williams College, he entered the investment field, joining his father at A.G. Becker and later establishing Mid-Continent Capital, where he continues today as chairman. He has served as a trustee of the University of Chicago and president of the Williams College Alumni Association. When the Winnetka Community House lost its United Way funding in the early 1980s, he organized their first annual fund campaign, “getting a real taste of the challenges of fundraising.”

John remembers working with Dr. Kinney, who was deafblind, during the days when Hadley was financially challenged. They created the “Special Funds” to get them through periods when there was no other money. John managed this early small endowment and
The rise of family foundations has been a boon for local charities. In the Winnetka zip code of 60093, there are approximately 118 nonprofits, many funded entirely by the wealth of just one family. Those foundations, and hundreds of others on the North Shore, make annual gifts totaling in the millions of dollars to local and regional charities.

But how does a family foundation pick a grantee? Are there strategies to maximize philanthropic value? It is easy to feel good because you’ve funded a charity, but how do you make sure you actually did good? A few guidelines follow:

Due Diligence: A good place to start is IRS Form 990. Charities must file this form annually, and it is a nice snapshot of how the charity treats its assets. They can be found at Foundationcenter.org, one of several free databases. From there, do a Google search on the management.

Eyeball the place: Evaluation wars have been fought for years by brighter minds than yours or mine, especially among the mega foundations like Rockefeller, Carnegie and, today, the Bill and Melinda Gates Foundation. Family-managed foundations should take a more intuitive approach—find local wise men to identify promising candidates and then visit. Look for busyness and a sense of tangible respect from recipients. Also, satisfy yourself that the charity is more concerned about the fruits of its labor than making promises.

Start small, get embedded: If you are satisfied with the charity’s effectiveness, make a small initial grant. Later, once you have become a trusted supporter, dovetail philanthropy with marketing by sponsoring fundraisers or volunteering your time. Becoming a trusted supporter leads to networking opportunities, leading to introductions to other effective programs. It also puts you in the position to ask for improvements in accounting and reporting of outcomes.

In our conversations with local families regarding their philanthropic activities, we have found that small and medium size foundations can outperform the mega foundations in terms of finding and tapping into truly effective local charities.

By Andy Knott, JD, CFP®, a Portfolio Manager at WINTRUS Wealth in Winnetka, IL.

To include The Hadley School for the Blind in your will or other estate plans:

1. A bequest may be made through a will or trust.
2. Or, it can simply be made by listing Hadley as a beneficiary of a bank account, IRA account, life insurance policy, company retirement plan, pension, annuity or other instrument that allows you to designate funds to a beneficiary.
3. Legal designation for a will or trust:
   a. I give (X dollars or X percent or all of the residue of my estate) to The Hadley School for the Blind, an Illinois Nonprofit Corporation with headquarters located at 700 Elm Street, Winnetka, IL 60093.
   b. Tax Identification Number: 36-2183809
4. Please inform Hadley so we may recognize your intentions. Contact Shari Burton, 847.784.2765 or Shari@hadley.edu.