



American  
Heart  
Association.

# Really Easy Real Estate

*By: Pamela D. Leonard, Charitable Estate Planning, American Heart Association*

**M**uch of my time working in charitable estate planning is spent with passionate individuals who want to make a difference in the world, and often the use of real estate in philanthropy is never thought of.

Most people who donate to their favorite charity usually grab their checkbook or go online with their credit card because it's convenient and easy. But donors can also use real estate to make an easy gift to charity with the following options.

## **Outright Gift**

Donors can make an outright gift of real estate by transferring full ownership of a property to a charity. They receive a tax deduction for the fair market value of the property, and if it has appreciated in value, 100 percent of the capital gains tax liability is bypassed — benefiting them and impacting a cause dear to their hearts.

## **Donor Advised Fund (DAF)**

Donors can support multiple charities and involve their family in philanthropy by transferring real estate into a donor advised fund. They receive a tax deduction and bypass capital gains tax just as they would with an outright gift to a charity.

After the fund liquidates the property, grants from the DAF can be recommended to favorite charities. DAFs are great for establishing a legacy of giving among generations as well. Family and friends can distribute grants and even be named successor grant advisors to allow the fund to last beyond a single lifetime.

## **Charitable Gift Annuity**

Donors who want to use their property to make a gift to their favorite charity and could use a steady stream of income now or in the future should consider a charitable gift annuity.

The charity provides donors and/or loved ones a fixed percentage of the value of the real estate donated every year for the rest of their lives. Payments are based on the age of the annuitant(s) at the time of the gift and will never increase or decrease, providing stable income regardless of the current financial environment. The balance in the annuity will then support the charity's mission at the end of the contract.

## **Charitable Remainder Trust**

This is a good option for donors interested in a stream of income who want their gift of real estate to benefit more than one charity or the income from their gift to be paid to more than two individuals.

By transferring property into this type of trust, income is paid out to donors or individuals the donor selects while also bypassing 100 percent of the capital gains tax on the property. Donors would also receive an immediate income tax deduction based on the payout rate and the anticipated length of payments.

A charitable gift annuity or charitable remainder trust are often attractive to landlords who use the lifetime payments to replace monthly rental income without the headache of collecting rent or maintaining a property — all while supporting charity.

A donor who wants to continue using their property has several options as well.

## Will or Trust

By gifting real estate in a will or trust, lifetime use is permitted, and donors can continue to use the property until it's no longer needed. Making a bequest doesn't provide immediate financial benefits but can be accomplished with a simple codicil, is revocable and won't affect donors' current household budgets.

## Retained Life Estate

A retained life estate allows property owners use of the property for the rest of their lives and delivers an immediate tax deduction. In exchange for their irrevocable gift of the future interest of the property, an immediate income tax deduction is generated based on a percentage of the property's value. Since donors still own the property during their lifetime, the expense of property taxes, insurance and maintenance would be their responsibility.

## Reshaping Martha's Legacy

*Martha and her late husband bought a condo in Arizona 40 years ago. Their plan was to rent out the condo until they retired and moved from their home in South Carolina to Arizona. Their plan would provide them with a fully owned condo — mostly paid for by the rental income — and a nice nest egg from the profits they would receive from the sale of their South Carolina home.*

*When Martha's husband passed away suddenly from a massive heart attack at age 64, she didn't know what to do. She continued to rent out the condo for another five years while contemplating if she still wanted to retire in Arizona. At age 70, she decided to stay in South Carolina, where she was surrounded by her friends. But being a long-distance landlord soon became too much to manage.*

*While reviewing her options with her financial advisor, she was warned about the large capital gains tax she'd face if she sold the condo, in addition to the many trips to Arizona she'd have to make to prepare and complete the sale. That's when Martha learned about a charitable gift annuity. At her age, she qualified for a 5.6 percent payout rate, while also receiving an income tax deduction that she could use this year and rollover any unused portion of the deduction for the next five years.*

*Martha requested a personalized charitable gift annuity illustration from the American Heart Association. While reviewing the illustration, she quickly realized that after considering her net profit from the rental property, a charitable gift annuity would provide her \$1,000 more a year in income without the hassle of being a landlord. **The gift was easy, completed within 60 days of her initial inquiry and required no trips to Arizona.***

*Beyond the financial benefits of creating a charitable gift annuity, Martha funded an endowed research grant with the association in loving honor of her late husband. Even though their plan didn't work out how they dreamed, Martha still benefitted from the purchase of the condo decades after they bought it.*

## Making it a Reality

Not all charities offer these many real estate giving options. So, the first step is to request additional information from donors' favorite charity(ies). Nonprofit fundraisers — like myself — provide education to interested donors and their professional advisors. A personalized illustration of benefits helps paint a clear picture of what's best to accomplish the donors' goals and to answer the most asked question: **Can I really do that?**

For more information on the substantial rewards of a real estate gift for your clients, **request our ["Real Gifts Real Benefits"](#) brochure.**

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*Pamela Leonard has been on the American Heart Association Charitable Estate Planning Team for 12 years. She works with donors, their wealth managers and estate planning advisors nationwide to maximize the impact of their philanthropic efforts.*