LEHIGH VALLEY COMMUNITY FOUNDATION

ADVISOR CONNECTION

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Philanthropy: It's a marathon, not a sprint

As 2025 continues to deliver twists and turns, it's important to keep talking about philanthropy. Charitable giving is a vital strategy for your clients, even in times of economic uncertainty. Here are three trends to watch as you guide your clients through an unpredictable era and encourage them to look beyond the horizon. Please reach out to the team at LVCF anytime. Even during economic upheaval, charitable giving remains a powerful tool for tax planning and durable community impact. Thank you for your continued work to help your clients maximize their positive influence on our community.

Your clients still want to give

While overall giving may dip during economic downturns, most of your philanthropic clients will continue to support their favorite charities. Indeed, giving often rebounds quickly alongside economic recovery. Donor-advised funds, in particular, have shown resilience and even growth during economic shocks, providing a stable source of support for nonprofits and a flexible tool for your clients. This support is crucial because economic upheaval often increases community need, which in turn creates more demand for nonprofits' services. By working with LVCF, your clients can stay close to the tangible impact of their giving.

Legislation is still percolating

At the moment, key provisions of the Tax Cuts and Jobs Act (TCJA) are set to expire at the end of 2025, potentially impacting the charitable strategies you recommend to clients. Notably, though, on February 13, 2025, lawmakers in both the House and Senate introduced the Death Tax Repeal Act of 2025, aiming to permanently eliminate the federal estate tax and the federal generation-skipping transfer (GST) tax. Needless to say, if this act becomes law, the landscape of tax planning will change dramatically. On a happy note, under recently-proposed legislation, clients over the age of 70 ½ would be able to make Qualified Charitable Distributions to donor-advised funds at LVCF. Under current law, eligible fund recipients of QCDs are limited to designated, field-of-interest, unrestricted, and similar funds.

Focus on the future

Some of your clients may be wondering just how much they can truly accomplish through philanthropy, especially right now. The answer is a lot. Sometimes called "big bet philanthropy," strategies to leverage charitable dollars to tackle systemic social issues are becoming more popular. "Long-haul" initiatives require sustained commitment, collaboration, and capacity-building among both donors and the nonprofit organizations they support. Thanks to its mission to connect donors to community needs, the community foundation is in a unique position to work with your clients who want to pursue this form of charitable giving.

Moving a Private Foundation to a DAF

With nearly 150,000 private foundations in the U.S. and combined assets exceeding $1 trillion, it's common for individuals to consider starting a private foundation when planning their charitable giving. You likely have clients who've established one. But as donor-advised funds (DAFs) grow—now nearing 2 million accounts and granting up to $50 billion annually—many donors are choosing to use both vehicles. Some are even shifting assets from private foundations to DAFs at their local community foundation.

This trend is increasing. Here's a checklist to help guide these client conversations:

Assess the Admin Burden ☑

Private foundations require significant day-to-day management, which can become overwhelming, especially for second- and third-generation family members. Even founders often find the administrative work detracts from focusing on nonprofits, community impact, and grantmaking.

Navigate Tax Complexities ☑

IRS rules on investments, distributions, and "self-dealing" are notoriously complex. Over time, tax compliance becomes frustrating. For example, if

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What to Know about Charitable Remainder Trusts

If you've represented charitable families over the years, you've certainly heard the term "charitable remainder trust," sometimes called a "CRT." You might have even helped clients set them up. For most attorneys, CPAs, and financial advisors, CRTs don't come along every day. Because a CRT can be such an effective planning tool in certain situations, it's useful to have at least a basic level of knowledge about how they work.

Here are six important points to keep in mind.

1 **What is it?** Your client establishes a CRT as a standalone trust. The trust pays an income stream to the client (and potentially other beneficiaries such as a spouse or children) for life or for a period of years. According to the trust's terms, whatever assets are left when the income stream ends will pass to a charity, such as your client's fund at LVCF

2 **Where does the charitable deduction figure in?** Because the transfer of assets to the CRT is irrevocable, your client is eligible for an up-front charitable income tax deduction in the amount of the present value of the charity's future interest, calculated according to IRS-prescribed rules and interest rates. Remember also that assets held in a CRT are excluded from your client's estate for estate tax purposes.

3 **Who is it for?** The ideal client to establish a CRT is typically someone who owns highly appreciated assets, including marketable securities, real estate, or closely-held business interests. That's because a CRT allows these assets to be sold within the trust without triggering immediate capital gains taxes, enabling the proceeds to be reinvested.

4 **Why are some trusts called CRATs and CRUTs?** A "charitable remainder annuity trust" ("CRAT") is a type of CRT that distributes a fixed dollar amount each year to the income beneficiary. Your client cannot make additional contributions to a CRAT. A "charitable remainder unitrust" ("CRUT"), on the other hand, is a type of CRT that distributes a fixed percentage (at least 5%) annually based on the balance of the trust assets (revalued every year). Your client can make additional contributions to a CRUT during lifetime.

5 **When is a CGA a better fit?** The tax laws permit a client over the age of 70 ½ to make a once-per-lifetime transfer from an IRA of up to $54,000 (2025 limit) to a CRT or other split-interest vehicle, such as a charitable gift annuity (CGA). This is sometimes called a "Legacy IRA." Because the cost of setting up a CRT usually means that a $54,000 CRT is impractical, a client who wants to leverage the Legacy IRA opportunity may lean toward a CGA instead.

6 **How can I learn more?** As is the case with any question you encounter from a client about charitable giving techniques, the community foundation is honored to be your first call. We can help you navigate the options and identify strategies that are likely to best meet a client's needs.

Moving a Private Foundation to a DAF

a client wishes to donate a family business, using a DAF at a community foundation is often a better option. Transferring business interests to a private foundation can trigger severe tax consequences.

Utilize LVCF Support ☑

Our team is here to support you and your client through the process of terminating a private foundation and transferring its assets to a DAF. The first step is for the foundation's board to formally approve the termination, documented in meeting minutes or a director consent.

Establish the DAF ☑

Your client can create a DAF at the community foundation with a chosen name (e.g., Smith Family Foundation Fund). The structure and succession plan for fund advisors can mirror the private foundation's board, maintaining a similar approach to grantmaking and governance.

Transfer Assets ☑

The private foundation will grant most of its net assets to the new DAF, retaining a reserve to pay any outstanding bills. Once liabilities are settled, accounts can be closed.

Finalize Termination ☑

If the foundation is in good standing with the state, transferring its assets to a qualified public charity like a community foundation ensures a smooth IRS-recognized termination. The foundation then files a final informational tax return and completes any required state-level dissolution steps.

Whether your client is ready to move forward or just exploring options, contact us. We're here to help!