


PODCAST
PRESENTATION

PREPARING FOR PHILANTHROPY

Host: Hello and welcome. Northern Trust is proud to sponsor this podcast, "Preparing for Philanthropy," the fourth in a series based on our book titled *Legacy: Conversations about Wealth Transfer*. Today's podcast will be of interest to you if you are considering including gifts to charity as part of your wealth transfer plan. Our experts will discuss how you can integrate your philanthropic choices into a cohesive plan – one that enables you to support the causes you believe in, while maximizing the impact of your giving.

Joining us today is Marguerite Griffin, national director of philanthropic services for Northern Trust. Marguerite consults with clients, their families and their advisors on charitable giving strategies and grantmaking practices. Her experience includes estate and charitable gift planning, private foundation administration and nonprofit organization and management. She is a graduate of Northwestern University School of Law and Washington University in St. Louis, Missouri.





Also joining us is Grace Allison, tax strategist at Northern Trust. Before joining Northern Trust, Grace was engaged in the private practice of law as a partner with the Chicago office of Katten Muchin & Zavis. She is a graduate of The University of Chicago Law School and Wellesley College and is a Fellow of the American Bar Foundation.

Please understand that this podcast is not intended to be legal advice. As always, you should contact your legal advisors to review any strategy in light of your own specific situation.

Let's begin with a question for Marguerite.

Marguerite, if I'm considering a gift to charity, what should I be thinking about?

- MG: This is a great way to begin our discussion. When you are considering making a significant gift to a public charity or participating more deeply in philanthropy, I'd suggest that you ask yourself several questions:
- What do you hope to accomplish through your charitable giving?
 - How does charitable giving fit into your overall financial and wealth transfer plans?
 - How important is it that your charitable giving creates a lasting family legacy?

- What type of charities do you hope to benefit, and which specific charitable organizations best reflect your values and goals?
- How involved do you wish to be in the causes you hope to support?


And finally, do you want your family members to participate in your charitable activities as donors with you or volunteers?

Host: Grace, do you have anything you'd like to add?

GA: To what Marguerite has already said, I would suggest remembering that charitable gifts can be made both during life and at death. Work with your advisors to identify suitable vehicles for your gifts (as an alternative to, or in addition to, making direct contributions) and compare the tax benefits each provides.

Host: You've given our listeners a lot to think about. If I've considered my responses to the above questions, how do I move forward with creating my philanthropic plan? Marguerite, do you care to respond?

MG: Defining your goals and articulating a family charitable mission statement for your charitable activities are the




critical first steps in developing a philanthropic plan. With an understanding of what you hope to accomplish, you can then explore various giving options with your advisors.

You and your wealth transfer team will determine which charitable vehicles to use, such as trusts or donor advised funds, how to time your gifts to maximize the tax benefits and which assets to use to fund your charitable gift.

Host: Marguerite, you mentioned a family charitable mission statement – what is this?

MG: A family charitable mission statement translates your charitable giving philosophy into actionable and achievable objectives, which you and your family can use as a guide for your giving for generations, if this is your family's goal.

Your mission statement can specify what portion of the family wealth you wish to devote to philanthropy. It can also be very specific as to which causes and charities are to be supported, how and when donations will be made, and the criteria to use in evaluating whether to make further contributions to the causes or the charities that you have selected.



Working together to create a family charitable mission statement is an excellent way to involve the entire family in the philanthropic process.

Host: Next is a question for our tax strategist. Grace, how important are tax rules when making charitable gifts?

GA: While your mission will determine the recipients of your generosity, tax rules will determine the size of your charitable deduction, and will likely influence the timing and structure of your gift. For example, your accountant may suggest that you time your contributions to offset an increase in taxable income from a bonus or a sale.

Similarly, your estate planning attorney may advise that certain types of structures will not qualify for the charitable deduction – whereas others (such as charitable gift annuities or charitable remainder trusts) will enable you to provide for family members as well as charity.

Before making a substantial charitable gift, consult with your wealth transfer team and the planned giving officer from the recipient charity. A carefully structured transfer can generate a significant charitable deduction; a transfer that ignores the tax rules will not.

Host: Grace, if we can carry this tax discussion a little further – how can I be sure my charitable transfers qualify for the charitable deduction?

GA: The most basic requirement is that the recipient be tax-exempt. Most tax-exempt charities are publicly supported organizations, such as the United Way, YMCA, American Red Cross, the Girl Scouts, churches and nonprofit schools. To determine if a charity is tax-exempt, check the IRS list of qualified charities at irs.gov/charities or a convenient online service such as GuideStar.

MG: Those are great resources, Grace. I might add that you shouldn't overlook the charity's own Web site or other online sources such as Charity Navigator or the Better Business Bureau Wise Giving Alliance, which provides baseline, qualitative information about public charities and can help potential donors evaluate the missions and programs of many nonprofit organizations.

Host: Thank you both. Marguerite, I have read that there are many ways to give to charity. What are the most common?

MG: The most common ways to give to charity include:

- Outright gifts;
- Donor advised funds;


- Charitable gift annuities;
- Charitable remainder trusts; and
- Private foundations.

Host: So, how do I choose the best solution for me and my family?

MG: Many factors are involved in choosing the most appropriate solution – including your motivations, objectives and financial situation. Perhaps surprisingly, the size of the gift does not necessarily determine the choice of charitable vehicle. For example, if you want to benefit both an individual, perhaps a child or grandchild, as well as charity, you may want to consider a charitable remainder or charitable lead trust. Alternatively, if your goal is to encourage a tradition of philanthropy by involving family members or others in your giving, then you might want to consider either a donor advised fund or a private foundation.

Host: Grace, can you explain the difference between a donor advised fund and a private foundation?


GA: That's a question we hear frequently from our clients. With a donor advised fund and a private foundation, your funds can support a number of charities over time. In addition, both allow you to involve family members, or others, in the decision- making process – although



with a donor advised fund, advisors make recommendations with final grant approval coming from the sponsoring charity. Both private foundations and donor advised funds also provide an immediate income tax deduction. However, many donors choose to create a donor advised fund because the income tax deduction available to donors for transfers to a donor advised fund is substantially greater than that available for transfers to a private foundation. A donor advised fund can bring other important advantages as well, including lower cost to create and maintain. On the other hand, a private foundation affords greater flexibility and control, and donors often conclude that a private foundation is the better vehicle to promote family philanthropy.

In the end, your decision will depend on a variety of factors. Marguerite, is there anything you'd like to add?

MG: You've really summed up the key differences well, Grace. I might just add that we are seeing many families consider a donor advised fund because they offer many of the benefits of a family foundation, but are generally more cost effective, and allow the donor and any advisors to make gifts anonymously.




Host: Thank you, both. One final question before we wrap up our discussion. How do I decide which assets to give to charity?

GA: The most common contributions to charity are cash, publicly traded stock or a combination of both. Some donors may have a broader range of assets to choose from, however, such as closely held stock or retirement plans.

From a tax standpoint, it's generally preferable to sell a depreciated asset, take the tax loss and donate the cash proceeds. On the other hand, donating a long-term appreciated asset generally means avoiding or deferring capital gains tax on the sale – while at the same time garnering an income tax charitable deduction.

Your wealth transfer team can help you choose the right charitable vehicle for each type of asset in order to maximize the impact of your giving program. You may be surprised at the range of opportunities.

Host: Marguerite. Grace. This discussion has been very helpful. Do you have any final words of advice for our listeners?



MG: In parting, I'd like to remind our listeners that philanthropy is a very personal decision and that individuals and families participate in philanthropy for many different reasons. Today, with the increased demand for charitable contributions, it's more important than ever to be deliberate and purposeful about your giving so that you can maximize the impact of your gift.


Host: And Grace?

GA: Thank you. In times that are as difficult as these, it is critical to seek the advice of professionals whom you trust. Your advisors can help you articulate your mission, determine the course of action that will best accomplish your objectives and work with you to implement your charitable strategy, while ensuring that you and your family have as much – or as little – involvement in the day-to-day activities as you desire.

Host: Thank you both for joining us.

MG: You're very welcome.

GA: My pleasure.



Host: For our listeners, we hope that after spending this time together, you've learned a bit about philanthropy and the strategies that can help you achieve your goals.

For 120 years, Northern Trust has worked with clients and their advisors to help craft wealth transfer plans that not only reflect their financial goals, but also their personal values. And as a professional fiduciary and trusted advisor, we help ensure that as the circumstances of your family, the financial markets or the tax environment change, your plans continue to reflect your objectives.

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