

# MAXIMIZING TAX BENEFITS OF CHARITABLE GIVING TO THE IMMORTALIST SOCIETY

*by Ben Best*

Americans wishing to support the charitable activities of the Immortalist Society (including the research program at the Cryonics Institute) by a cash donation get an immediate deduction from their United States income tax for the year because the Immortalist Society is a 501(c)3 organization, ie, a charitable organization. The charitable status of the Immortalist Society can be verified by going to the website of the United States Internal Revenue Service <http://apps.irs.gov/app/pub78>

Choose "Name Equals" on the left side enter "Immortalist Society" in the box to the right choose the "All of the words" radio button on the right click on the "Search" button. You need not enter anything into "Location". If entering values into Location, note that "Clinton Twp" works and "Clinton Township" does not work. State is MI and USA is country. (For more detail you can click on the dashes under "Code" to display a pop-up that describes the Immortalist Society as "A public charity with a 50% deduction limit.")

Americans who are corporate employees are often given the option by their companies to make yearly automatic deductions from their paychecks to 501(c)3 organizations. So it should be possible to make the Immortalist Society the desired charitable organization for the donation. With some lobbying an assertive employee could get their employer to include the Immortalist Society as an option with a checkbox that other employees at their company could choose as the recipient of their regular charitable donations.

Americans wishing to donate appreciated equities (primarily stock and real estate) can also donate those assets to the Immortalist Society, thereby both reducing their taxable estate and not only avoiding tax on the capital gain of assets, but qualifying for a tax deduction in the appreciated amount of the assets. For example, someone owning \$100,000 worth of shares of XYZ corporation could get a \$100,000 income tax deduction, despite the fact that the shares were originally purchased for \$25,000, as long as the purchase date was more than one year before the donation. You can deduct up to 30% of your Annualized Gross Income (AGI), and you can carry-forward the unused deduction for 6 years. So if your

AGI is \$90,000 you can spread the deduction over 4 years of income taxes.

Americans with appreciated assets they wish to donate to the Immortalist Society also have a number of other tax-reducing options, including a **Charitable Remaindered Trust**, a **Donor-Assisted Fund** and a **Pooled-Income Fund**. All of these plans avoid capital gains taxes. All of the plans remove money from your taxable estate, reducing estate taxes. The **Charitable Remaindered Trust** is simply a special kind of irrevocable Trust. The Funds are not only Mutual Funds, but they are 501(c)3 entities themselves. A number of investment companies offer these special-purpose Mutual Funds.

Although they provide a smaller charitable donation deduction than a **Donor-Assisted Fund**, a **Charitable Remaindered Trust** or a **Pooled Income Fund** will allow you to receive some of the income yourself. The **Donor-Assisted Fund** allows for an immediate

tax deduction for the full appreciated value of the assets (up to 30% of your AGI), but does not allow for the payment of any income to you.

Again, we can use the example of shares in XYZ corporation purchased for \$25,000 and now worth \$100,000. You can donate the shares to a **Donor-Assisted Fund** and get an immediate charitable donation of \$100,000 (up to 30% of your AGI), but you cannot receive any income from the Fund. You can have the shares sold and have the \$100,000 immediately donated to the Immortalist Society, or you can have the fund pay some portion of the money to the Immortalist Society in installments. If the money is invested in income-paying securities, that income can only be paid to charitable beneficiaries. In a **Donor-Assisted Fund**, you always have the option of changing charitable beneficiaries as long as there is still money left in the fund. If you gave the entire \$100,000 to the Immortalist Society in the first year, you would have to pay administrative fees and you would have been better-off to have given the money directly to the Immortalist Society.

The **Charitable Remaindered Trust** and the **Pooled Income Fund** allow for payment of income to you or to another non-charitable beneficiary. The immediate tax deduction allowed for the donation will be based on the discounted value of the gift to be paid upon legal death or a prespecified future time when the gifting occurs and the income payments stop. For example, if you are expected to live for another 15 years (based on government actuarial tables), and the discount rate is 6%, the present value of \$100,000 is  $\$100,000 \times (0.94)^{15} = \$41,726.51$  -- the amount you can deduct from your income tax for the donation. But you can also collect  $\$100,000 \times (0.06) = \$6,000$  in income every year until you are legally pronounced dead. When you are pronounced dead, the \$100,000 goes to the Cryonics Research Fund. (6% and 15 years is just given as an example. In practice IRS actuarial tables must be used: [www.irs.gov/pub/irs-pdf/p1457.pdf](http://www.irs.gov/pub/irs-pdf/p1457.pdf)). With a Charitable Remaindered Trust you are required to take a minimum payment of 5% of the total asset value per year, but can take no more than 50% in any one year.

The **Charitable Remaindered Trust** is the most troublesome and expensive plan to set-up and to administer because it requires a Trustee and the creation of a Trust by a lawyer. The **Pooled Income Fund** has all the same benefits and options as the **Charitable Remaindered Trust**, minus the hassle of having to create a Trust and appoint a Trustee. Your assets in the **Pooled Income Fund** are "pooled" into a Mutual Fund along with the assets of other participants in the **Pooled Income Fund**, with each participant having a share of the Pooled Fund which is proportional to their contribution to the Pooled Fund. Each participant can generally choose among a small number of "funds" within which to invest their proceeds, in order to maximize their return.

The **Pooled Income Fund** is the best option for someone who wants to get an immediate moderate tax deduction from their appreciated assets, to collect income from those assets and to leave those assets to charity upon legal death. Unlike the **Charitable Remaindered Trust** there is no legal minimum or maximum income that can be received from the Fund in any given year. The income received is totally determined by the return on the investments. Unfortunately, a **Pooled Income Fund** cannot be used to fund cryopreservation arrangements. The plan is only allowed for charitable donations, not for any fee-for-service arrangement.

The **Donor-Assisted Fund** is best suited for someone who wants to get immediate maximum tax deduction for their appreciated assets and who wants to make donations while still alive, but is unsure about the timing of the donations and the identity of the charities. Someone who is certain that they want to donate the appreciated assets to the Immortalist Society should simply do so directly, to get the same tax benefit of the **Donor-Advised Fund**, while avoiding the administrative fees.

I have attempted to investigate the **Donor Advised Fund** and **Pooled Income Fund** programs offered by some investment firms which have these types of Mutual Funds -- including Oppenheimer Funds, Raymond James, Fidelity and Eaton Vance. Oppenheimer Funds no longer offers **Pooled Income Funds**, but does offer **Donor Advised Funds** [(877) 634-4483, [www.opplegacy.org/](http://www.opplegacy.org/)]. The Raymond James representative was arrogant and insulting. He insisted on answering his own questions rather than the ones I was asking, and he hung up on me when I did not relent. So I don't have details on their services [ (800) 944-7730 ].

Eaton Vance has the most well-developed programs and the most expert client support, but their fees are 2.6% annually [(800) 664-6901, [www.uscharitablegifttrust.org/](http://www.uscharitablegifttrust.org/)]. Fidelity apparently charges lower fees (1%), but there may be other hidden charges [ (800) 682-4438, [www.charitablegift.org/](http://www.charitablegift.org/) ]. In their literature both Fidelity and Eaton Vance state that their Board must approve the charitable beneficiary, but I have been assured by the representatives that any 501(c)3 organization recognized by the IRS would be acceptable. To discuss a donation to the Immortalist Society (including to the Cryonics Research Fund) phone the Immortalist Society (586) 791-5961 or e-mail us at: [CIHQ@aol.com](mailto:CIHQ@aol.com). Ask if you can discuss the matter with Immortalist Society Treasurer John Besancon.