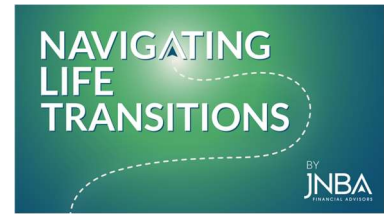


Podcast Transcript: Navigating Charitable Giving



Kim Insley:

I'm Kim Insley. Thanks for joining us for Navigating Life Transitions, a podcast where we bring together advisors, experienced in financial life planning to talk about ways to navigate life's biggest changes, challenges, opportunities, and decisions. From growing a family to losing a loved one, promotions to retirement, marriage to divorce, we discuss these pivotal moments that could benefit from the guidance that a financial advisory team can provide.

Today, we'll be talking about navigating abundance in your longevity plan. Now that your resources have grown and you are charitably inclined, what comes next? How do you embrace and maximize this opportunity? Whether that means giving to causes that are important to you or volunteering your time. Joining me are two advisors from JNBA Financial Advisors serving clients in Minnesota, Florida, and throughout the U.S. Elise Huston and Nick Scheibel, who work with people who find themselves at a pretty exciting time in life. So Elise, as a financial planner, this is a great conversation to have with people giving away money because a lot of people are surprised. They're excited to learn that they've reached this level of comfort so that they can share the wealth. That's a nice conversation.

Elise Huston:

Yeah, it is really rewarding for the individuals and families. It's a fun conversation for us to have because this is really truly tied into their values. This is something that brings a lot of meaning to them. If we're talking about charitable giving, it's because that's important to them. So, there's a lot of purpose in that, a lot of wonderful meaning that we get to be part of. However, there can also be a lot of misconceptions about giving. You mentioned this a little bit too, Kim, but just you don't need as much as maybe you think to be able to give. There's many resources that you could give, one of them being your time and your energy, it's also an extremely valuable resource.

But for a retiree, maybe for them it's an opportunity to dive into a renewed purpose or that encore career as they maybe start to serve on boards or get involved charitably and create another community for themselves. Maybe someone younger is just wanting to give back to the community they live and work in allowing them to not only expand their own networking, helping them to feel maybe more connected to causes that they know are important to them as well. So again, it's just a chance to align your resources, be them financial or time with the things that really inspire you most and are most important to you.

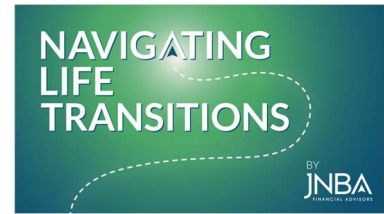
Kim Insley:

Yeah. And the creativity is a big part of this. So Nick, there are a number of different ways, very creative ways to make this impactful.

Nick Scheibel:

Yeah. You mentioned a couple of things. You mentioned life transitions and you mentioned abundance, and that's often where we get involved with talking about charitable giving. For a lot of people during their lifetime, most of the giving is just giving from income, writing a check, maybe a credit card, making a gift along the way. But when you reach that point where you are kind of navigating abundance, a lot of people realize, and we can help people realize, that there's an opportunity to start giving from assets as well, not just from income. And that's really a point

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when people start to think more about the organizations they want to support, the type of impact they want to have, and really also the charitable legacy they want to leave behind.

Elise Huston:

Yeah. And I think that the scope of complexity really varies depending a lot on the amount of gifting someone is looking to do, as well as if they want any sort of limitations or just structure around the gift that they're doing. Do they want this to be something that they're doing on an annual basis? Is this something that they really are hoping will last long after they're here? I mean, that will also kind of change the way the gifting is structured.

Kim Insley:

So, a foundation that goes on for years and years?

Elise Huston:

Mm-hmm.

Kim Insley:

So, from the financial perspective, there are a lot of things to consider. So, Nick, what are some ways that you've helped clients with charitable giving outside of just writing the check?

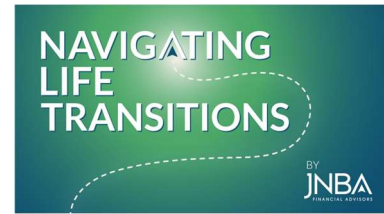
Nick Scheibel:

Mm-hmm. This really goes back to what we were talking about, about giving from assets and helping find very tax-efficient ways to give from the assets you've accumulated during your working years when you hit that point where you're ready to start giving more. So, the first one we often talk about is a qualified charitable distribution. So, you have to be 70 and a half years old to be able to make a distribution like this. But it's a distribution from an IRA directly to a charitable organization. So again, we're talking about assets now, the IRA. Distributions directly to charitable organizations are not taxed and they count towards any required minimum distribution as well. And you can make distributions up to a hundred thousand dollars a year per person. So, you're talking about pretty significant impact that you can have. So qualified charitable distributions is often the first place we look when we're giving from assets.

Second one is what's called a donor-advised fund. So, a donor-advised fund is a fund held by a sponsoring charitable organization in the name of a donor family. You can contribute to the fund when it makes sense for you from a tax point of view. Everything you contribute to the fund is tax-deductible, but you can make grants from that fund to charitable organizations you want to support, really at times it makes the most sense for the organization. So, we're separating the deduction from the ultimate charitable gift. Donor-advised funds can be invested so they can grow over time, they can have successive advisors. You can have future generations advise on those funds as well. So, it can be a really great way to build charitable wealth.

And we almost always combine that gift with what we call a gift of appreciated stock. So, instead of writing a check to the donor-advised fund or a check to charity, we transfer stock from a client's portfolio into the fund. And the advantage there is that the charity that owns the fund doesn't pay taxes on the sale of the stock. So, they can sell the stock, not pay capital gains tax.

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We get a tax deduction, and we get that capital gain out of the client's portfolio. So again, structuring an asset-based gift for the maximum tax efficiency.

Kim Insley:

So Nick, the donor-advised fund, so if I understand it, is it a fund that the charity owns or you, the family, whoever owns the fund and you get to decide it's its own entity?

Nick Scheibel:

So legally the charity owns the fund, and that's the important part because you got a tax deduction when you made the gift. Sometimes the charity is a local community foundation or a faith-based foundation.

Kim Insley:

Got it.

Nick Scheibel:

But they're also national foundations. We often work with the Schwab Charitable Fund, which is a charities that sponsors donor-advised funds where we can work with clients, transfer assets from their brokerage accounts to a donor-advised fund. But ultimately the fund owns the assets, not the donor.

Kim Insley:

Got it. Okay. Thank you. And then appreciated stock. That's another way to give?

Nick Scheibel:

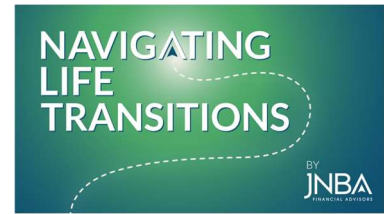
Yeah. Like I said, you can give appreciated stock directly to charity, but often combining it with the donor-advised fund is the most efficient way to do it. It's very simple to transfer appreciated stock into a donor-advised fund. And then the donor-advised fund sells the stock and can transfer the assets to charities on when you make grant recommendations in the future. So, instead of having to gift a few shares here and there to a bunch of different organizations, we can make one larger gift to the donor-advised fund and then distribute smaller grants out to charity.

It also lets us take advantage of what we call bunching. It's an opportunity to... A lot of people don't itemize their deductions on their taxes anymore. So, people might be giving charitably throughout their life, but at this point aren't getting much of a tax benefit for it. With what we call a bunching strategy, we can contribute a larger amount to a donor-advised fund in one year, take advantage of the ability to itemize that deduction and then make grants to charities over 3, 5, 10 years into the future. So it's, again, a way to maximize the tax efficiency of your-

Kim Insley:

So many tricks. This is why you need a financial advisor. So, you have a story about a family that was honoring a grandparent situation, inheritance.

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Nick Scheibel:

Yeah. It's a great way to kind of combine the tax part, which again, you said there's a lot of ways to do it, and that's what we think about all day. But the really important part is giving to charity. I mean, that's what really matters here. The tax benefit is nice. So, I work with a client family that a few years ago... So there's two brothers actually, and their parents both passed away. And when their mother passed away, she was the second to die. They decided that they had inherited a modest amount of money, but that they wanted to create a family donor-advised fund in memory of their parents. Their parents have been very active in the community, engaged with a number of local charities, and it really inspired that same focus on giving in their children. So they established a donor-advised fund. They each put a portion of their inheritance into it, but they also invited their children and grandchildren to participate.

The family each year, and anyone who feels that they have the ability to make a contribution to the fund can, and they all know how to make the gifts. Then once a year, the whole family gets together, usually around the holidays, and each family member can come with an idea of an organization that they think would honor their family's legacy. They talk it through, and they usually give away \$20, \$25,000 a year-

Kim Insley:

Wow.

Nick Scheibel:

...from this fund that's now invested and will grow. So, it's a really great way to pass on the value of charitable giving, to get family engaged. The donor-advised fund is just the vehicle. What really matters is that conversation around that table and getting together as a family to have that impact and honor that legacy.

Kim Insley:

And then the kids can see part of that conversation as well and learn.

Elise Huston:

Yeah.

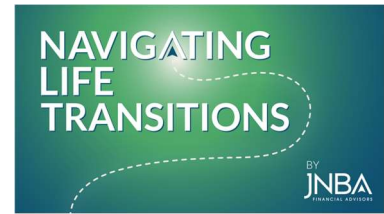
Nick Scheibel:

Exactly.

Elise Huston:

And I think that that's when sometimes in addition to the donor-advised fund, when thinking about even maybe some larger gifts that people are wanting to make, maybe they want to include other family members, things like that. There are some other more complex options that you could explore, maybe an endowment, family foundation, multi-year commitments. Those are common, I guess, inquiries or questions that we get from families who are maybe wanting to structure more complex gifting. But really, those are good conversations to have with your financial advisory team as well as your estate planning attorney just to really think through what

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structure's going to make the most amount of sense. There's complexity and maintenance with all of them. Understanding the pros and cons to find the structure that fits best for your family is important. And again, I know we mentioned this before, but the charitable donation, it might not be a financial gift, and that's wonderful too.

Volunteering and board service really can help foster a personal connection and make giving seem even more impactful. It can bring a lot of value and meaning to your own life as well. I think it also can help to create a community. We talk a lot too about that when someone retires. Maybe you lose your work community, but by getting involved charitably with board work it can create a new community for you of people who have shared passions and shared interests that can be really fulfilling. And I think, Nick, you've shared this quite a bit with our team here too, but you've experienced the benefits of that personally as well.

Nick Scheibel:

Yeah, no, I've spent some time on charitable boards throughout my career, and I actually started my career working in philanthropic services working with nonprofits and charities. And as I transitioned to a more financial services side, volunteering on nonprofit boards is a way for me to stay connected to the community, to give back. And like you said, it's not just financial. It's about giving my time. I currently serve as the treasurer on a board, which if you work in finance, you always get asked to serve as the treasurer on the board for better or for worse. But it's been a great opportunity.

Kim Insley:

We appreciate your service.

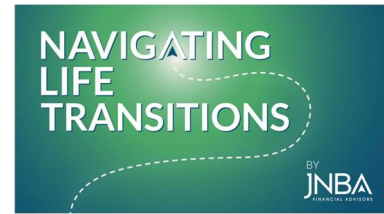
Nick Scheibel:

Well, I told them, I'm like, I'm not a bookkeeper, but I'll learn. But it was also a really fun opportunity. A couple of years ago for my birthday, instead of having a birthday party, because I'm not really a birthday party person, I decided to have a fundraiser for the nonprofit where I serve on the board. So, I invited my friends and my family. We actually all got together at a brewery, and we did some trivia, we had some contests, and we all raised some money. We were able to raise a few thousand dollars. But it was also an opportunity for me to share with my friends and my family what I really value, help them understand what I'm doing and get them more engaged in the causes that are important to me. So volunteering, you don't even know how big your network is, but it's a really great way and opportunity to get more connected to the community and more connected to the people around you.

Kim Insley:

I love that idea. And this country runs on volunteers. Where would we be without them? So, ways to help people think through this. If you're just realizing or it's just on your radar right now, how do you start to break it down, Nick, and form that actionable plan to give?

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Nick Scheibel:

Yeah. If you're giving from assets, that's great. We're fortunate to work with a lot of people who've reached that level of abundance. But even if you're just giving from income and you're trying to give back with what you can, one of the things we really recommend is making a budget for your giving. We all get asked a lot. I just talked about how I asked all my friends, but of course they asked me too. And maybe they're doing a bike ride for charity or maybe they're doing some other side of fundraising event, and you want to support everything. No one wants to say no, but we all have limited resources. So, one thing we recommend is creating a budget at the beginning of the year. You can put in there the organizations you know want to support, the larger gifts you want to make.

And I think it also makes sense to set aside an amount for when people ask. So, you can say, I have this amount. This percentage of the amount I'm going to give this year is going to be to things that people want me to support because it's really important to them with my friends or my family or my coworkers. One that gives the ability to say yes, but it also gives the ability to say no. You might reach a point at the end of the year where you've exhausted that budget and it's actually pretty easy to say to someone, "I think what you're doing is really amazing. I'd love to support it, but it's just not in my budget for this year. Ask me next year, hopefully I can help." So, establishing that budget at the beginning of the year just gives people a framework and we find more of the money will go to the things that are really important to them. And that's the value of giving is you're giving back to a cause that matters. So that's the other question that comes up is what should I give to?

Kim Insley:

That's a hard part, right?

Nick Scheibel:

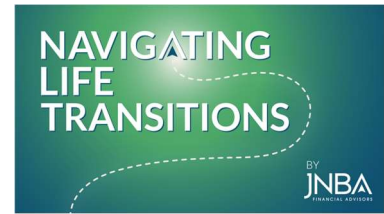
It's the hardest question to ask and there is no answer. So, what we encourage people to think about is what would be more meaningful to you? For an example, would it be more meaningful to you to support an organization that's working internationally and helping people all around the world and know that your gift is spread around the whole world? Or would it mean more to you to support an organization that's focused directly on the community where you live? There's no right or wrong answer to that question. But if you talk through that, you can start to get a sense of what really is more meaningful to you.

Some people would like to support a large organization that has a really broad reach, and for some people, a smaller organization that's just working with a handful of people, but really changing lives on the ground is more meaningful. So again, there's no right or wrong answer, but those are the types of conversations we like to facilitate. So combined with a budget and a concept of what's meaningful to you, that's how you can start to make gifts that really kind of create that joy, that joy of giving that we talk about.

Kim Insley:

I love having the action plan too, and the budget. And if you don't know what that is, you can go back over the previous years and see kind of what you spent, then it's plan-ful. It's not a surprise.

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Elise Huston:

And to Nick's point, I think sometimes, which organizations to support, it should be personal and it is personal. Again, it has to be about your values, what's going to bring you a lot of satisfaction that you've put time or money, energy towards a certain cause. But there's a lot of different techniques for giving too, of which Nick covered a handful of them today. And I think that really understanding them all and remembering them all can be a lot. So I know on our website, we also have a charitable gift planning checklist at jnba.com that's hopefully just a helpful tool as well, along with talking to your financial advisor about this and what's important to you to then determine how best to put some of this abundance that you mentioned into action in a way that's really meaningful and personal to you.

Kim Insley:

It's a great way to, I mean, leave a legacy, help your community do something that you feel good about, and it always ends up that you feel the benefit of that gift, I think, more than anybody else because you feel good about yourself.

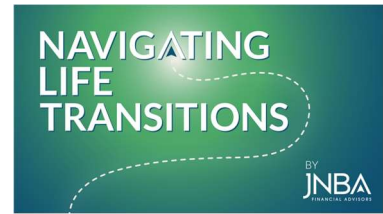
Elise Huston:

Yeah, yeah.

Kim Insley:

Well, thank you both, Elise, and Nick, for the conversation. And we want to thank our listeners too, and we hope that you'll listen to our other Navigating Live Transitions podcast. There's a full list of available episodes online right now, JNBA Navigating Life Transitions.com. It's all one word, JNBA Navigating Life Transitions.com. And you can always help yourself to the free resources. Elise just mentioned one of them on JNBA's website, JNBA.com. If you have questions about charitable giving or you want to learn more about how JNBA can help you with your financial life goals, just give them a call at 952-844-0995. You can also use the contact form on jnba.com to schedule a complimentary, no obligation call with their experienced multi-generational team. Thank you again for listening. I'm Kim Insley, and I look forward to navigating more life transitions with you on our next podcast.

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