

Impacts of the Election and COVID-19 on Year-End Tax, Estate, and Gift Planning



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SECURE Act

Setting Every Community Up for
Retirement Enhancement Act

The SECURE Act

Three main changes that relate to charitable giving

1

Removes age restrictions on
IRA contributions

2

Changes age for required
minimum distributions

3

Eliminates “stretch” IRA for
most non-spousal
beneficiaries

CARES Act

Coronavirus Aid, Relief and Economic Security Act

Three main changes that relate to charitable giving

1

Suspends required minimum distributions for 2020

2

Creates new universal charitable deduction

3

Lifts the cap on cash contributions for those who itemize

Qualified Charitable Distributions

The SECURE Act

Qualified Charitable Distributions

Details of gift:

IRA account holder must be at least 70½ at time of gift.

- The distribution must be made directly to the charity.
- The gift can be any amount up to \$100,000 per year.
- The gift must be made to a qualifying public charity (not to a supporting organization or a donor advised fund).

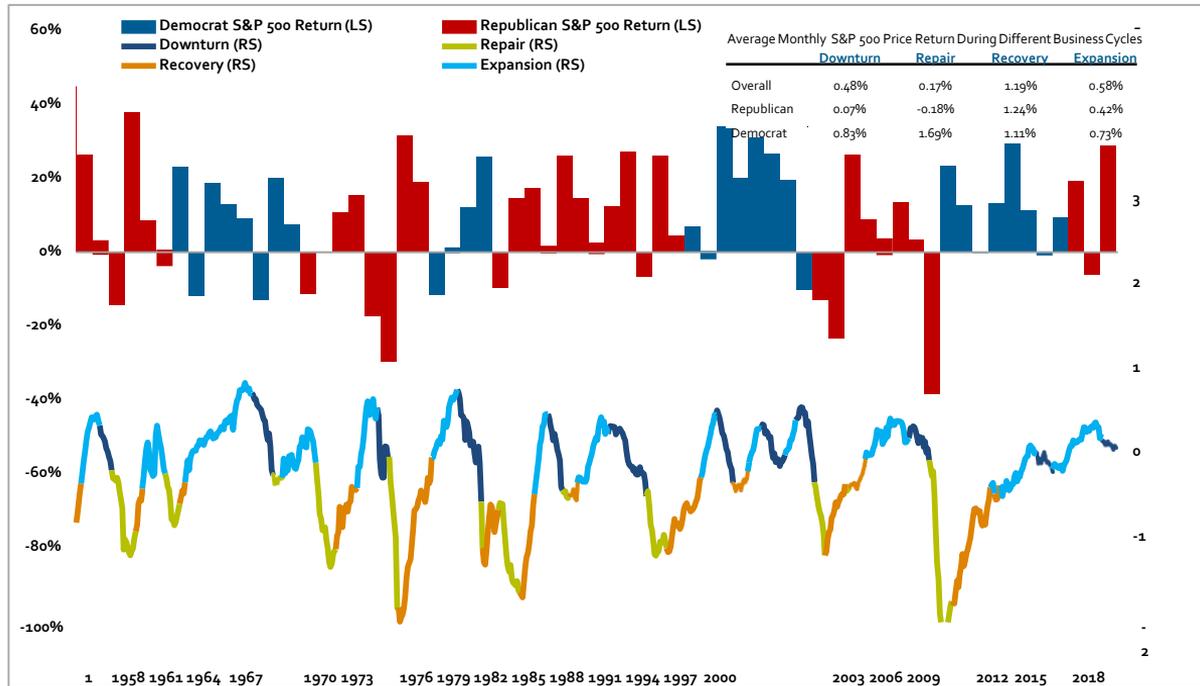
Wealth Management Perspectives



Business Cycles Have Mattered More than the Party in the Oval Office

Morgan Stanley Cycle Indicator, S&P 500 Annual Price Returns

Annual Data as of December 31, 2019

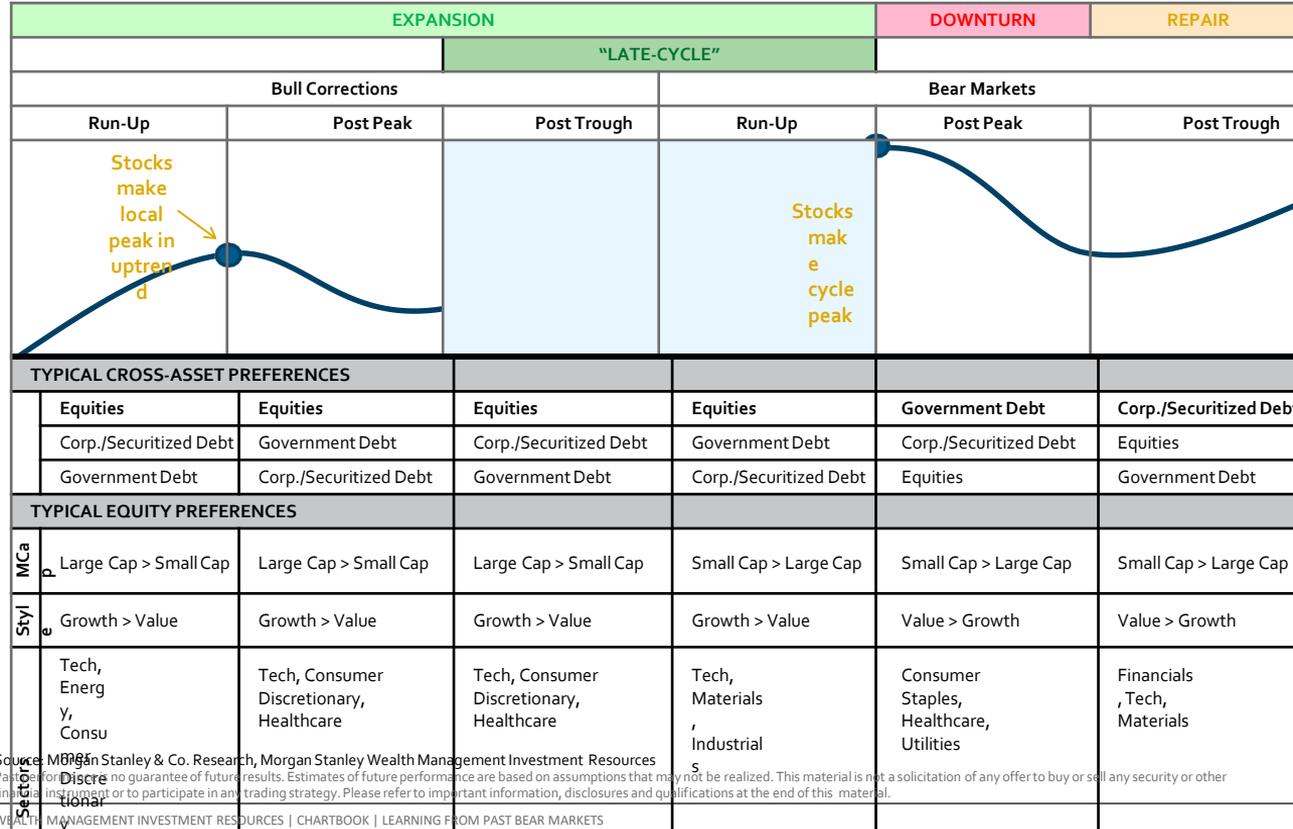


Source: Bloomberg, Morgan Stanley & Co. Research, NBER, Bloomberg, Haver Analytics. The Morgan Stanley Cycle Indicators measure the deviation from historical norms for macro factors including employment, credit conditions, corporate behavior and the yield curve. The repair phase occurs due to the lag time between when these factors are beginning to improve and when they turn positive.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

The Economic Cycle Matters to Selection...

For illustrative purposes only



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Investment Resources

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How a Donor Advised Fund Works



A DAF is a charitable giving vehicle administered by a sponsoring organization such as Morgan Stanley Global Impact Funding Trust, Inc., a 501(c)(3) public charity, to manage charitable donations on behalf of individuals, families and organizations¹



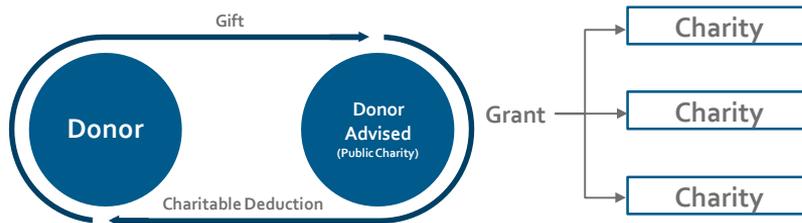
Donors retain advisory privileges over how money should be granted to selected charities



Given that DAFs are structured as public charities, donors receive the tax benefit at the time a contribution to the DAF is made²



Contributions to a DAF are invested in line with donor preferences and have the potential to grow tax-free while the donor recommends which charities to support



1. The maximum deduction for a gift to a donor advised fund, as a public charity, is limited to 50% of adjusted gross income (AGI); deductions exceeding AGI limits may be carried forward for up to five years.
2. Grants can be directed to US organizations that are tax-exempt public charities, US religious houses of worship, and US-qualified foreign charitable organizations. At an additional cost, other domestic and foreign organizations that do not qualify as US public charities can be considered.

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How a DAF Benefits Donors

01**SIMPLICITY.**

Contribute to a DAF with cash or appreciated assets and receive an up-front tax deduction

02**PLANNED PHILANTHROPY OVER TIME.**

You and your Financial Advisor can thoroughly research areas of charitable interest and specific organizations

03**LEGACY CREATION.**

Coordinate philanthropic giving with succession planning

04**PROFESSIONAL ASSET MANAGEMENT.**

Contributions are professionally managed and invested, allowing for potential growth of assets

05**ANONYMOUS OR NAMED GIFTING.**

Grants to other charitable organizations may be made anonymously or by recognizing the donor

06**FLEXIBILITY IN GRANT TIMING AND CHARITY SELECTION.**

Should conditions change, reallocation is allowed for planned donations that have not been distributed

07**TAX-ADVANTAGED CONSIDERATIONS.**

The capital gains tax on gifts of appreciated securities and other assets may be mitigated so as to receive potential reductions in estate tax liabilities

08**FLEXIBILITY TO CHOOSE INVESTABLE ASSETS.**

With prior approval, donors can also contribute illiquid assets such as real estate, art, commodities or private company stock

09**NOT LIMITED TO INDIVIDUALS.**

Individuals, families and organizations may contribute to a DAF

A well-planned and thoughtful approach to charitable giving benefits donors and, more importantly, the charities you care about. This is why you may want to consider the advantages of a DAF as part of your overall charitable giving strategy.

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Post-Election Tax Planning

LIFE INSURANCE FOR THE HIGH NET WORTH FAMILY – CATEGORIES OF APPLICABILITY

- Income Tax Benefits
- Funding expected Estate Taxes
- Asset Protection
- Family Governance & Family Private Bank Fund

TYPES OF LIFE INSURANCE POLICIES

- Term insurance

Permanent Policies:

- Whole Life
- Universal Life - likely to encounter Guaranteed Universal and Index Universal Policies
- Variable Life
- Variable Universal Life - Private Placement Life Insurance (PPLI) generally fits into this category

Note: My favorite professor at Wharton, Jerry Rosenbloom used to say, all permanent types of life insurance policies are term, they just have an investment element.

MORE THAN ESTATE PLANNING, PPLI IS AN INCOME TAX PLAY

- Properly structured, the internal growth of a life insurance policy's cash surrender value is not subject to income tax.
- During the life of the insured, cash can be borrowed income tax free from the policy. Since with a PPLI policy the cash surrender value is really the person's money, effectively interest is being paid from the person's personal account to his/her policy - i.e. no leakage
- Generally, death benefits will be paid income tax free.

Questions

THANK YOU!

Please take a moment to complete our survey linked in the chat box.

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