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Thanks for joining me for today's discussion called
The Pyramid Of Philanthropy

This information is designed to offer a different perspective on Legacy Planning, and to give you some things to think about as you try to determine what you want **your legacy** to look like.

Let's get started.

Important Notes

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Before we get into the main content of today's conversation, here are some important notes related to what we'll discuss.

Please read these notes carefully to understand important aspects of this information.

Definition Of "Philanthropy" fi-lan-thruh-pee

"Altruistic concern for human welfare and advancement, usually manifested by donations of money, property, or work to needy persons by endowment of institutions of learning and hospitals, and by generosity to other socially useful purposes."

– Dictionary.com



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I'd like to begin by laying the foundation for the title of today's discussion by looking at a definition of **Philanthropy** according to **Dictionary.com**. It says Philanthropy can be defined as an:

"Altruistic concern for human welfare and advancement, usually manifested by donations of money, property, or work to needy persons by endowment of institutions of learning and hospitals, and by generosity to other socially useful purposes."

So I wondered:

What does it take to be "a Philanthropist," and how does one get there?

For many people, philanthropy is rooted in the ability to give money or other assets to others... sometimes during lifetime, but often times after death.

Let's take a look at one possible approach for becoming "a **Philanthropist**."

The Pyramid Of Philanthropy

A unique way of looking at legacy planning

Plan For What You *Expect To Happen*

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One way to approach the concept of whether you may be "**a philanthropist**" is to build a financial pyramid that rests on a solid base.

For most people, the beginning of feeling financially secure is making sure you have enough money to pay for the things you **expect to happen**.

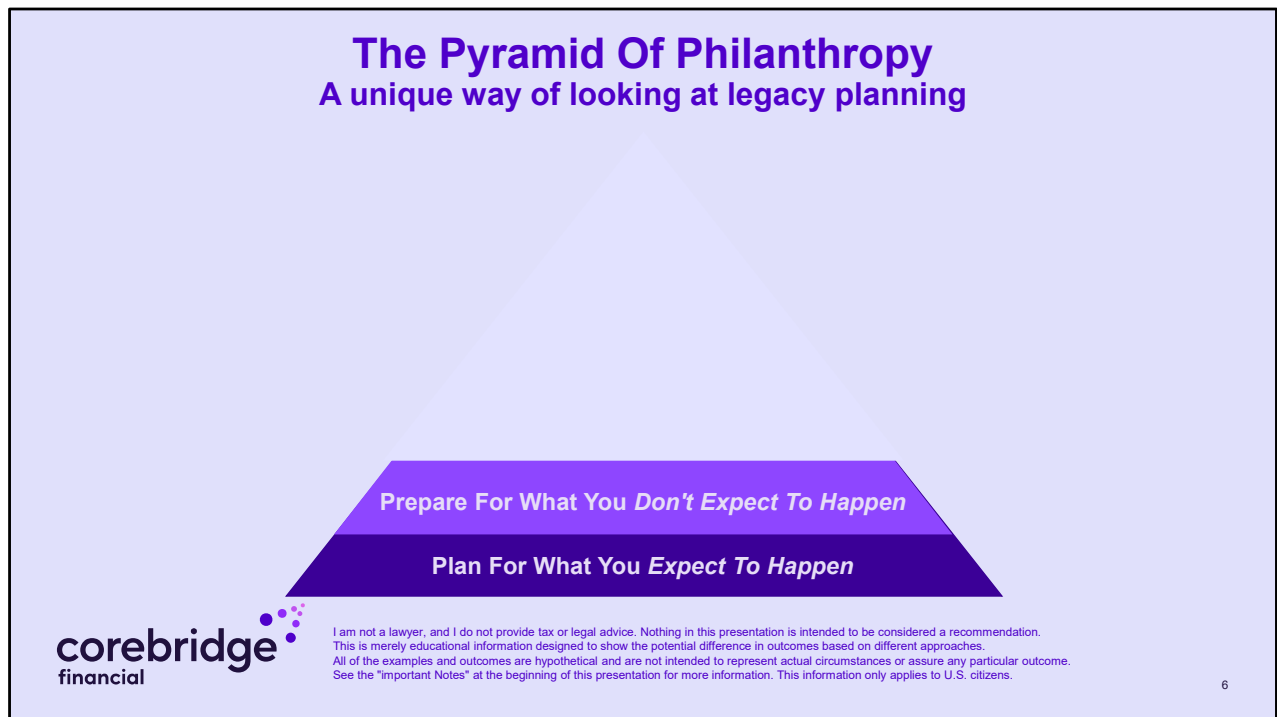
This foundational component of your financial pyramid would focus on the ability to pay for your basic necessities, such as food, shelter and clothing.

For retirees or near-retirees, you would want to feel confident that you have enough money to pay for these basic necessities for the rest of your life.

So let's imagine that you were able to determine how much money it will take to pay for those necessities for the rest of your life, and you were able to set that much money aside.

You'd be feeling pretty good at this point... you've planned for what you expect to happen.

If, after you set that much money aside, you still have money left-over... then what?



Well, things don't always go according to plan. Somehow life gets in the way. What you expected to happen didn't exactly work-out that way. Unexpected events can catch you off guard.

So, to feel more financially secure, in addition to "planning for what you expect to happen," it might make sense to also "**prepare for the unexpected**."

Unexpected things can come in many different shapes and sizes, including ups-and-downs of the stock market, repairs to your home, repairs to your cars, and surprise medical expenses... just to name a few things. We also don't expect to spend our waning years in a nursing home, but to be financially secure we need to prepare for that potential contingency, too.

For most people, "preparing for the unexpected" is primarily accomplished with insurance products, such as homeowner's insurance, car insurance, health insurance, and potentially Long-Term-Care insurance.

To offset potential volatility in your investment portfolio, you might also want to create a financial cushion, setting some extra money aside for the many things that might not be covered by insurance products.

Let's assume you were able to determine how much money it'll take to **prepare for the unexpected**, and you set that money aside, too.

At this point you'd be feeling pretty secure, financially.

After you set that money aside, let's assume that you still have money left over... what then?

The Pyramid Of Philanthropy

A unique way of looking at legacy planning



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With all of the costs of your necessities and contingencies covered, that extra money could be spent on the things that bring the greatest joy to your life.

That might include travel to places you've never been, or having the flexibility to visit kids and grandkids in their far-away cities.

It may include doing special things for kids and grandkids.

It could mean helping pay for college for grandkids, or even kicking-in a little money to help pay for their wedding.

Maybe you'd like to help pay for their first car, or make a down-payment on their first home.

Or maybe you'd like to help your kids pay the cost of upgrading their kitchen or finishing their basement.

Or possibly you'd like to send your kids and grandkids on a vacation to Disney or Hawaii!

You could take some time to figure-out how much money it'll take for you to do all of the things that bring fulfillment to you in your retirement...

The things that bring you the greatest joy.

Let's say that you determined how much money that would be, and you set that money aside, too.

What if you ***still have money left over***... then what?



For many people, that money represents what they call their "**safety net.**" If anything goes wrong financially that exceeded their expectations, these "**safety net assets**" would be there to see them through.

If you've done a good job calculating how much you'll need for what you **expect to happen**, what you **don't expect to happen**, and for the **fun you'd like to have...** Odds are you'll never need to touch this "**safety net**" money... it just feels good knowing it's there, like a security blanket.

But the reality is that you'll probably never need your safety net... and it's even more unlikely that you'll need ALL of it.

And you may have set-aside more money than you need for any of the first three levels of this financial pyramid, too.

Any unspent money in the bottom three levels could also be money you never needed to spend.

That means there's a possibility that you'll have money left over after you're gone. **CONGRATULATIONS... you've officially become a Philanthropist!** Now we just need to figure out what kind of Philanthropist you are!

Many times, when people think about philanthropy... especially when they think about the money they'll leave after they're gone... people think about leaving money to their favorite charities.

If part of your plan is to leave money to your favorite charities, I might refer to you as ***"a Charitable Philanthropist."***

In addition to leaving money to your favorite charity, where else do people leave money-to after they're gone?

That's right, they often leave money to their children and grandchildren. If that's what you plan to do with part of your legacy, I might call you ***"a Family Philanthropist."***

But if you fail to do good planning, there's a third entity that you may end-up leaving a lot of money to... even though you didn't intend to, and you didn't want to.

Who might that be?

That's right... the government might get a big chunk of your legacy in the form of taxes, which could be a combination of both income taxes and estate taxes.

If that's the direction you're heading, I might refer to you as ***"a Government Philanthropist."***

As I often like to say: ***"Would you rather leave your money to 350 million strangers, or to the 5 or 6 people that mean the most to you?"***

You essentially leave it to 350 million strangers when you give a chunk of your legacy to the government and let them divvy-it-up among everyone in America.



But you have the opportunity to exercise a lot of control here, so I might ask you to cross-out which kind of philanthropist you **would least like to be.**

My hunch is that you'll cross-out the Government Philanthropist.

What's The Point Of Your Philanthropy?

Ask Yourself These Questions:

You've accumulated more than you're going to need...
What are you going to do with what's left-over after you're gone?

1. What would you like to see your children and grandchildren do with the legacy you leave for them?

2. What would you like to see your favorite charity do with the legacy you leave for them?

3. If there was a way to leave them *more*...
you'd probably want to know about it, wouldn't you?



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So let's spend a few minutes thinking about your objectives with your legacy... thinking about "***What's the point?***"

If you're one of those fortunate people that has accumulated more money than you're going to need to pay for what you ***expect to happen***, pay for ***the unexpected expenses***, and pay for all of the fun things that ***bring joy to your life...*** and you ***still have money left-over*** to leave as a legacy, and you don't want to give it to the Government...

What are you going to do with what's left-over after you're gone?

Most people will respond that they plan to leave their money to their family, or to a charity that's meaningful to them.

If that's your situation, you might ask yourself these three questions:

1. First ask yourself: "What would you like to see your children and grandchildren do with the legacy you're able to leave for them?"

➤ Take some time and describe, in as much detail as you can, the things you'd like to see them enjoy, and the things you'd like to see them accomplish with the money you leave to them.

2. Then ask yourself: "What would you like to see your favorite charity be able to do with the money you're able to leave to them?"

➤ Again describe, in as much detail as you can, the things you'd like to see your charity be able to accomplish with the funds you entrust to them.

3. And third, now that you've described all of the wonderful things you'd like to see your children, grandchildren and charities accomplish with the money you're able to leave to them, think about this: "If there was a way to leave them even more than you thought possible, you'd probably want to know about it, wouldn't you?"

You've Discovered That You're A Philanthropist...

Where would you like *your legacy*
to go after you're gone?

There are several ideas you can consider
that may enable you to achieve your goals.

Here are some sample scenarios.



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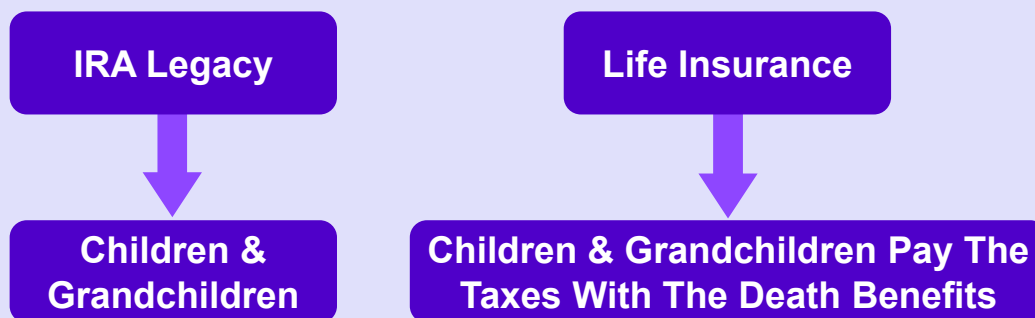
If that's the case, now that you know you have the wonderful privilege of being a philanthropist, think seriously about where you would like *your legacy* to go after you're gone, and what you'd like your legacy to be.

There are several ideas you can consider that may enable you to achieve your goals.

Let's look at some sample scenarios that illustrate the possibilities.

If Your Legacy Focus Is Your Family:

**You can purchase life insurance
to pay taxes on your IRA legacy**



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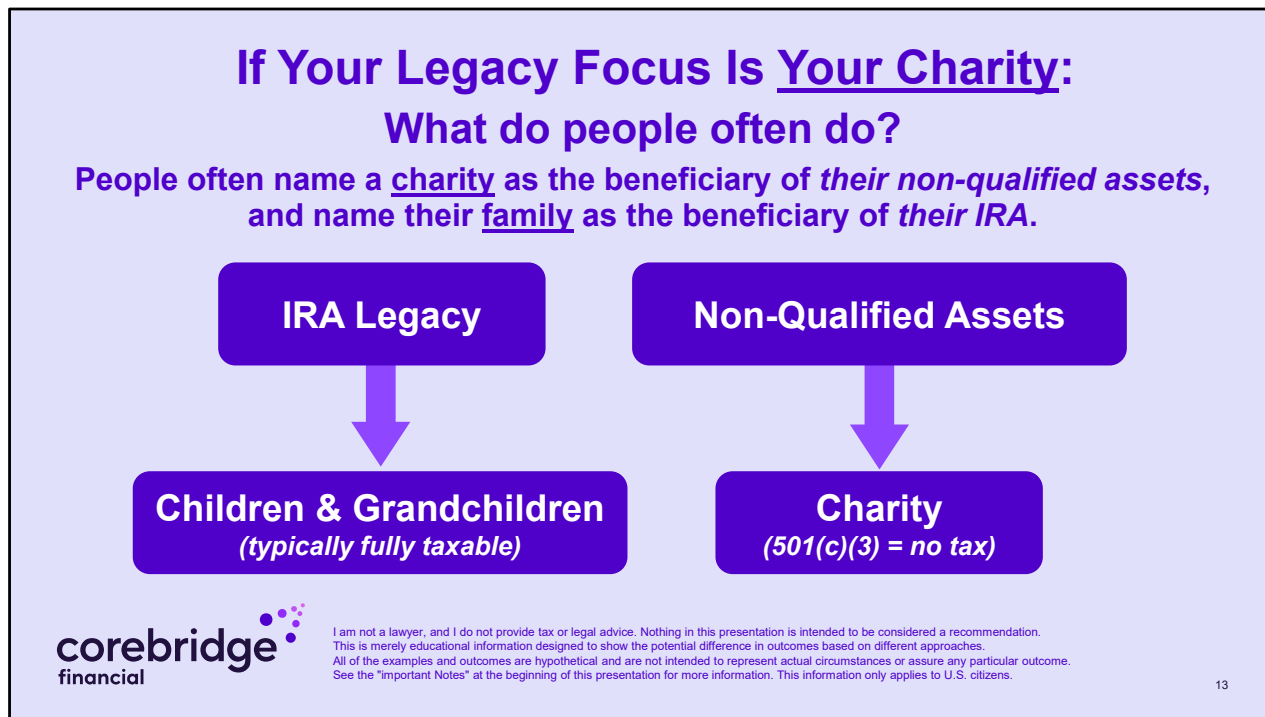
In this first example, let's look at a scenario where your legacy focus is on your family... namely your children and grandchildren.

In many cases, investors are leaving their IRA to their children and grandchildren without recognizing the potentially devastating effects income taxes could have on their IRA legacy.

To help mitigate the impact of the taxes your children and grandchildren will owe to the government, you could purchase a life insurance policy, and name your children and grandchildren as the beneficiaries. The death benefit would be approximately equal to the projected income taxes your children will need to pay on the IRA they inherit.

Then, instead of using the IRA Assets to pay the income taxes, the children and grandchildren could use the death benefits from the life insurance policy to pay the taxes.

In so doing, the children and grandchildren end-up with an after-tax IRA inheritance that approximately equals the pre-tax IRA inheritance you were planning to leave for them.



In this second scenario, let's assume that there's a charity that means a lot to you... a charity that you'd like to leave part of your legacy to.

Many people that are leaving a charitable bequest at their death describe that bequest in their Wills or Trusts.

That normally means that they're leaving non-qualified assets to their charities they care about.

Meanwhile, the beneficiary of their remaining IRA assets is often the children and grandchildren.

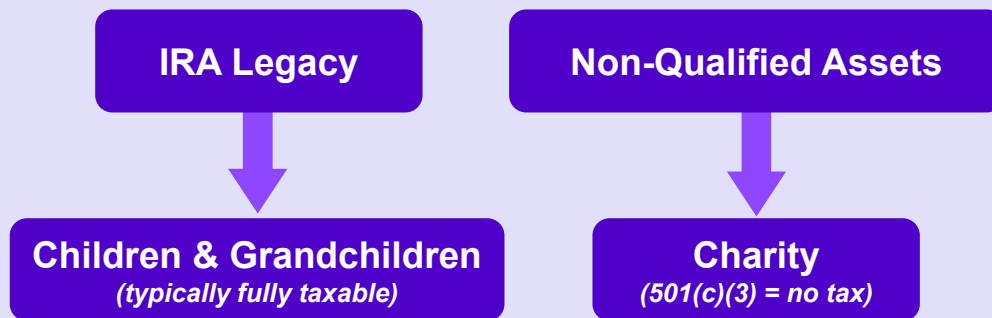
From a tax perspective, this can be problematic in two ways:

1. In most cases, non-qualified assets receive a Step-Up In Basis at death. As a result, beneficiaries can sell those inherited non-qualified assets at a price at-or-below the inheritance value, and they won't have any capital gains tax as a result of selling those assets.
 - But the charity receiving those non-qualified assets doesn't benefit from the Step-Up In Basis.
 - If the charity is a 501(c)(3) non-profit organization, they don't pay tax on assets leave to them as part of your legacy anyway.
 - Therefore, it could be argued that you essentially "***gave away the tax benefits of your Step-Up In Basis.***"
2. Secondly, many people name their children and grandchildren as the beneficiaries of their remaining IRA assets.
 - Unfortunately, inherited IRA legacies are typically fully taxable to the beneficiaries.
 - In this scenario, your children and grandchildren could owe significant income taxes on the IRA they inherit from you.

If Your Legacy Focus Is Your Charity:

What's another option to consider?

Consider naming the charity as the beneficiary of the IRA, and name family as beneficiary of the non-qualified assets.



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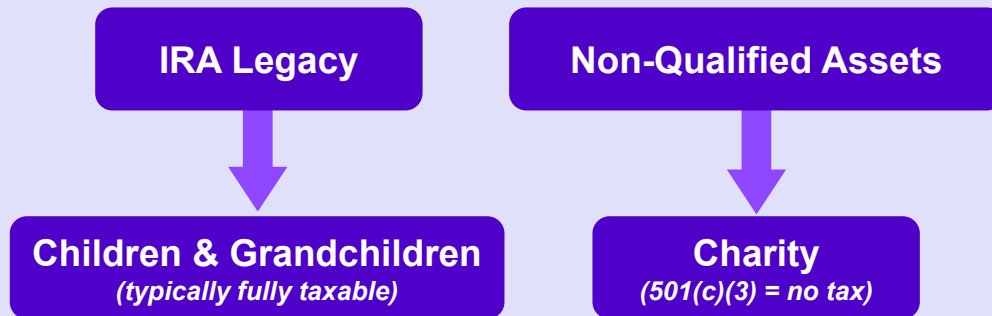
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But it didn't have to be that way, and one possible solution is very straightforward, and easy to implement...

If Your Legacy Focus Is Your Charity:

What's another option to consider?

Consider naming the charity as the beneficiary of the IRA, and name family as beneficiary of the non-qualified assets.



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Just flip-flop the beneficiaries!

(the animations built-in to this slide cause the two beneficiary boxes to switch places, aligning them with the beneficiary boxes on the next slide)

This simple approach has the potential to reduce overall taxes and increases the overall value of your legacy.

If Your Legacy Focus Is Your Charity:

What's another option to consider?

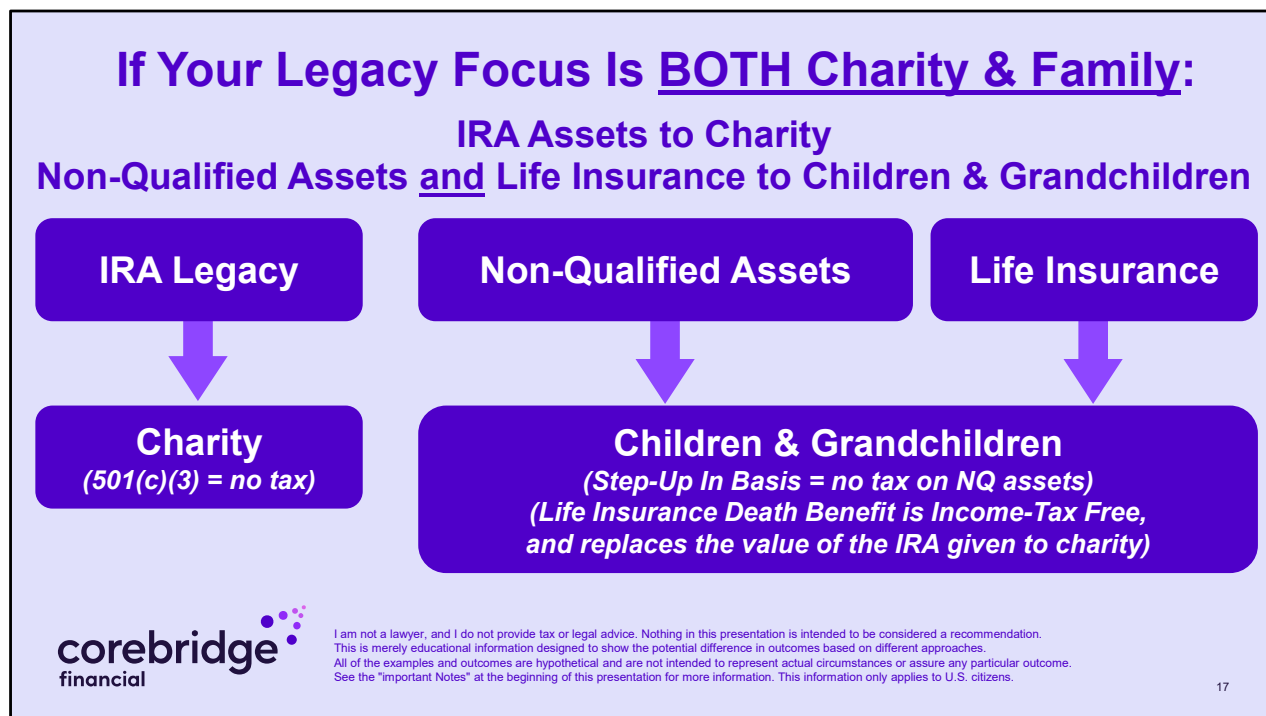
Consider naming the charity as the beneficiary of the IRA, and name family as beneficiary of the non-qualified assets.



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- When you make your favorite 501(c)(3) charity the beneficiary of your IRA, your favorite charity won't pay any income taxes when they inherit your IRA; and...
- When you make your children and grandchildren the beneficiaries of your non-qualified assets, they can sell those assets for the value they inherited them and, because they receive a Step-Up In Basis, your children and grandchildren can avoid the taxes on the non-qualified assets they inherit.



In this third scenario, what if your focus for your legacy is to leave something to **BOTH** a charity you care about **and** your family?

One thing to consider in that situation is to leave your IRA legacy to a 501(c)(3) charity you care about.

Because they're a 501(c)(3) charity, they won't pay any income taxes on the IRA they inherit from you at your death.

Secondly, leave your non-qualified assets to your grandchildren.

If they subsequently sell those assets for less than the value on the date of their inheritance, they likely won't owe any taxes on the sale of those assets.

And lastly, you may feel like you wanted to leave your IRA to your family, but you left it to your charity instead.

One popular option would be to purchase a life insurance policy with a death benefit equal to the projected value of the IRA.

Make your children and grandchildren the beneficiaries of that life insurance policy, and they'll typically receive that death benefit income-tax-free.

In this scenario you have the potential to eliminate all of the taxes attributable to your legacy, and likely increase the overall value of your legacy as well.

Where Do You Go From Here?

Do you have some ideas about how you want to make a difference with **your legacy**?

You may want to reach-out to your legal, tax and financial planning professionals for additional guidance.



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These are just a few of the ideas you can consider for your legacy.

If you have the wonderful privilege of being a philanthropist, think seriously about where you would like **your legacy** to go after you're gone, and what you'd like your legacy to be.

Hopefully some of the ideas you learned about today will inspire you to work on **your legacy**.

You may want to consider meeting with your legal, tax and financial planning professionals to begin charting the path your legacy will take.



I hope you enjoyed looking at your legacy from a different perspective, and that you found it helpful to think about your legacy this way.

On behalf of everyone here at **Corebridge Financial**, I'd like to thank you for thinking about how you can use your legacy to "pay it forward" in the hopes of leaving a piece of the world just a little bit better... because of you.

Thanks for joining me, and have a great day.



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