



## WHO SETS THE LIMIT ON YOUR GIVING?

Affluent Christian families have become so conditioned by the appeal of the IRS's "matching gift program" that many have unconsciously allowed the IRS to set the ceiling on their charitable giving—namely fifty percent of their Adjusted Gross Income (AGI). What I mean by "matching gift program" is that the IRS agrees that for every one dollar you give to support Kingdom causes, it will reimburse you about thirty-seven percent of that gift (assuming a maximum tax bracket). So, for each dollar a family gives, they are giving sixty-three cents and the IRS is giving thirty-seven cents—a really nice deal! But this IRS "matching gift program" only applies to gifts made up to fifty percent of your AGI. Anything you give beyond the fifty percent AGI limitation will not be matched by the IRS. Two critically important issues seem to emerge in this situation that I think need to be honestly and carefully considered—one of these issues is spiritual and the other is financial.

### The Spiritual Issue

Who is setting the ceiling on your giving—God or the IRS? What if God wanted you to give away sixty percent of your AGI this year? Is there any biblical or spiritual basis upon which we should allow the taxing agency of our country to regulate how much we give? What if the IRS' "matching gift program" was reduced to twenty-five percent of your AGI next year, would you consequently reduce your maximum giving to only twenty-five percent? What if it went away altogether?

Do you see my point? If we genuinely believe that everything we possess belongs to the Lord, our primary question should be, "How much of what the Lord has entrusted to me does He want me to deploy this year, regardless of any limits set by the 'matching gift program' of the IRS?" Should we not be seeking God's criteria for how much we will give of what we manage each year and not allowing the IRS to set the limit of our giving?

Might it be an uncomfortable conversation with the Lord if He were to ask us why we did not give away more of the surplus He entrusted to us than what the government would match? Might we respond, "Well, you know Lord, there was this fifty percent tax deduction limit on my AGI giving and I did not want to exceed that. You know, I wanted to be a good steward."

What if the Lord were to look at you and say, "If you were that concerned about being a good steward, why did you not more carefully explore *all* your giving options? There were strategies that would have allowed you to tax-efficiently give considerably more than you did, but you did not take advantage of them." Unless God has clearly told you to set your limit of giving at fifty percent of your AGI, it might not be a good idea to get real comfortable with that ceiling as your chosen giving limit. Remember, "*Woe to those who are at ease in Zion*" (Amos 6:1).

## The Financial Issue

What if I told you that with creative planning you could exceed fifty percent of your AGI in giving and still effectively participate in the IRS' "matching gift program?" And that you can use your current charitable giving to transfer your children's inheritance to them—gift/estate tax free? Would these possibilities pique your curiosity? Let me give you a simple scenario of how it might work.<sup>1</sup> Jim and Barbara Brown have a net worth of approximately \$30 million. Their AGI is consistently about \$2 million annually. They both love the Lord and annually they give away just over \$1.2 million (sixty percent of their AGI). They, like other generous Christians, have arbitrarily set a limit on their annual giving to be equal to fifty percent of the AGI in order to take full advantage of the IRS' "matching gift program." The Browns have three sons that are entering their real estate business. The Browns want to eventually turn over their entire real estate operation and holdings to their sons, but would face massive gift and/or estate taxes if and when they transfer their assets to the boys. They were open to giving more away annually, but also wanted to do it in the most tax effective way possible.

As part of a comprehensive Master Stewardship Plan, Jim and Barbara will place three of their commercial buildings (worth \$7 million) into an Accelerated Inheritance Trust (AIT). The trust will donate its annual \$500,000 income directly to their family foundation for Kingdom deployment. All this trust income now bypasses their AGI reducing it to \$1.5 million. This means that their new deductible AGI giving limitation is now only \$900,000. However, one hundred percent of the AIT trust income (\$500,000) is going directly to their foundation bypassing their AGI giving limitation altogether. This integrated giving strategy increases the Brown's total, "tax deductible," annual giving to \$1.40 million or seventy percent of their original AGI. Let me break that down for you in the following chart to see it more clearly:

|                     | Old Giving Plan | New Giving Plan  |
|---------------------|-----------------|------------------|
| AGI                 | \$2,000,000     | \$1,500,000      |
| 60% AGI Giving      | \$1,200,000     | \$900,000        |
| AIT Giving          | \$0             | \$500,000        |
| Total Annual Giving | \$1,200,000     | \$1,400,000      |
| Percent of Giving   | 60%             | 70% <sup>2</sup> |

What makes this strategy even sweeter is that after fifteen years, the Accelerated Inheritance Trust (AIT) will terminate and its \$7 million of real estate holdings will pass to their three son's gift tax free, saving them over \$2.5 million in transfer taxes and not using any of their lifetime exclusions. Intelligent planning by the Browns (1.) increased their "tax deductible" giving over the next fifteen years by \$3 million, (2.) passed \$7 million in assets on to their sons, and (3.) eliminated the \$3.5 million in gift taxes on the transfer. The Browns indeed viewed this as a win-win-win situation.

Jesus called us to be "*shrewd (creative) as serpents and as innocent (honest) as doves*" (Matthew 10:16). Jim and Barbara certainly were both creative and honest in managing and deploying what the Lord had entrusted to them. I think when they each stand before the Lord, they will no doubt hear, "Well done, good and faithful steward."

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<sup>1</sup> This illustration has been significantly simplified.

<sup>2</sup> 70% of original \$2 million AGI

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## **ABOUT THE AUTHOR — E. G. “JAY” LINK**

Jay Link, Director of Stewardship Planning at Taylor University, spent 35 years counseling Christian families to build customized Master Stewardship Plans. He is an author, a mentor to hundreds of financial advisors and attorneys, and started his career as a pastor. His passion is helping Christian families use all the Lord has entrusted to them for Kingdom-building purposes.