

# **Personal Finance Strategies**

**By Philip Braude**

## **Give Generously, Retire Comfortably**

Many people reaching retirement age have reached the perfect time in their lives to develop a charitable giving plan. They may be preparing for retirement, but their “flower-child” roots are still firmly committed to improving their communities through donations and volunteer work. After all, using philanthropy for positive goals appeals to boomers.

Born between 1946 and 1964, the baby boomer generation grew up during the turbulent 1960s and 1970s. It was a period of upheaval, war and social and political activism. As youngsters, many members of this generation participated in social causes, such as civil rights and women’s liberation, which reshaped America. In addition, many have strong religious and cultural ties.

The same idealism that inspired their youthful civic engagement now is leading boomers to consider giving to causes and organizations in which they believe, and recognize the wisdom and benefits of integrating philanthropy into their overall financial strategies. Handled correctly, generosity can support good causes and also assist donors with reducing their tax burden.

Harmonizing giving and retirement planning is a wise move. The two can efficiently complement each other. But doing so takes careful planning. Consulting with a financial advisor during the process will provide a helpful, experienced hand in creating the right strategy. Potential donors should always have a giving plan, which will differ for each person. Those with significant stock holdings will need a different philanthropic strategy than one who has many properties or a surplus of cash.

A donor with surplus income may prefer to identify specific causes to which he can contribute on a periodic basis. At the same time, he can be involved with the day to day running of the cause, or supervise it from a distance. A donor with significant assets may decide to set up a trust or foundation, or leave a legacy benefiting specific causes. In such cases, he too may be involved with the causes. Since at this stage of a person’s life, one often has more time available, such involvement is a welcomed activity and a source of communal pride & status. In addition, a retired person has accumulated life skills, which can be a tremendous assistance to worthy causes.

An interesting concept I have come across in Israel, is for a donor to donate a capital amount, on which he receives his tax benefits. This amount is then held in trust, and is used to provide interest free loans to needy individuals. As the loans are repaid, the money is recycled again and again, providing a lasting legacy for the donor.

I mentioned before that there are tax benefits which accrue to donors from their philanthropic donations. I would suggest for a donor to make the donation in the country which the income is taxable, and so qualify for the tax deductions accruing to the

donation, which will be offset against the taxes due, thereby reducing his overall tax burden. Should the donor have overseas income, and wish to benefit an Israeli charity, then this could be done via a “Friends of ...” organization in home country. An interesting quirk of Israeli tax law, is that it could happen that the % refundable is greater than the tax % due on certain types of income, which could provide an additional incentive for charitable giving.

Once key issues, such as income and taxes, are resolved, the giving plan should be put in writing. This clarifies responsibilities, goals and how the plan will work and mesh with the donor’s retirement strategy. It will also assist family members to understand the strategy, and “buy into” the concept. Every plan should have a formal mission statement. This helps focus the charitable activity. Some people initially find devising such a statement tough. Not only does drafting a giving plan make sense, but so does including a financial advisor & your accountant in the planning process. In addition, local community charities can provide a wide range of information and knowledge.

When it comes to producing a giving plan, donors probably are more involved than with any other type of financial planning, as this is their legacy. It’s what gives them meaning in life.

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