

Turn Charitable Contributions Into a 140% Deduction Using a CPT

For the remainder of 2023, individuals intending to donate more than \$250,000 to charity over the coming years can increase their tax deduction to approximately 140% (or higher) of the contributed value by channeling their donations through a Charitable Pooled Trust (CPT) by the end of 2023.

Step 1 – Donor contributes at least \$250K of future expected contributions into a CPT before the end of 2023. This contribution is split into two categories – 1) Deferred Charitable Gift, and 2) Retained Lifetime Income. For a couple both age 55, the category percentages at the time of funding in 2023 are:

Deferred Charitable Gift	Retained Lifetime Income	Total
\$127,500 (51%) *	\$122,500 (49%)	\$250,000 (100%)

* Charitable deduction

Result – The donor receives a charitable deduction in 2023 equal to the “Deferred Charitable Gift” amount of \$127,500 (51%), which is \$250K discounted over the life expectancy of the donor at the IRS rate of 2.2%.

Step 2 - CPT funds are invested into income-producing investments, and the donor couple receives income generated by the CPT each quarter for 2024-2026.

Step 3 – Any time after January 2027, the donor forgo the lifetime income stream and forward gift part, or all, their CPT funds into their family giving fund (Donor Advised Fund), which they use for their annual charitable giving. At the time of transfer, the actual CPT rate of return is used as the discount rate (assume 9%)ⁱ to determine the value for each category.

Deferred Charitable Gift	Retained Lifetime Income	Total
\$30,500 (12.2%)	\$219,500 (87.8%) *	\$250,000 (100%)

* Charitable deduction

Result – The forward gift results in an additional charitable deduction equal to the “Retained Lifetime Income” category. Assuming a CPT value of \$250K, the donor receives a 2027 charitable deduction of \$219,500 (87.8%).

When you combine the 51% deduction in 2023 with the 87.8% deduction in 2027, the total deduction received is 138.8%. This opportunity exists temporarily through the end of 2023 due to the historical formula the IRS tax code uses to discount the 2023 contribution. The tax code adjusts to a much higher discount rate on contributions in January 2024.

Schubert & Company, Inc. manages over \$24 million in CPT investmentsⁱⁱ. Please reach out to us if you would like to have a confidential discussion to see if a CPT might be a wise planning option for you in 2023.

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Past performance is not a guarantee of future results.

ⁱ The 9% return is for illustrative purposes only and is not an actual return on an investment. It is an estimate of the total return including dividends. This illustrative performance is for a specific investment portfolio with a specific investment purpose.

ⁱⁱ as of 09/30/2023