

Take control of your charitable donations using restrictions

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Did you know that you can put restrictions on charitable donations you make through your estate? If you want the peace of mind that your donations are used to fulfill your intended charitable purposes, you'll need to take the steps to add restrictions.

Reasons to add restrictions

Even if a charity is financially sound when you make a gift, there are no guarantees it won't suffer financial distress, file for bankruptcy protection or even cease operations down the road. The last thing you probably want is for a charity to use your gifts to pay off its creditors or for some other purpose unrelated to the mission that inspired you to give in the first place.

One way to help preserve your charitable legacy is to place restrictions on the use of your gifts. For example, you might limit the use of your funds to assisting a specific constituency or funding medical research. These restrictions can be documented in your will or charitable trust or in a written gift or endowment fund agreement.

Restrictions in action

Depending on applicable federal and state law and other factors, carefully designed restrictions can prevent your funds from being used to satisfy creditors in the event of the charity's bankruptcy. If these restrictions are successful, the funds will continue to be used according to your charitable intent, either by the original charity (in the case of a Chapter 11 reorganization) or by an alternate charity (in the case of a Chapter 7 liquidation).

Do your homework

In addition to restricting your gifts, it's a good idea to research the charities you're considering, to ensure they're financially stable and use their funds efficiently and effectively. One powerful research tool is the IRS's Tax Exempt Organization Search ("TEOS"). TEOS provides access to information about charitable organizations, including newly filed information returns (Form 990), IRS determination letters and eligibility to receive tax-deductible contributions. Please contact us if you have questions regarding your charitable donations.

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