

Charitable Planning, Family Partnerships, and Business Succession

Three essential estate planning topics come together in this course. You'll examine how charitable giving strategies—including split-interest trusts and donor-advised funds—can benefit both clients and causes they care about. The course then covers family limited partnerships as a wealth transfer and asset management tool, along with a practical look at succession planning for family businesses and farms. Professionals working with business owners or high-net-worth families will find this course directly applicable to complex client situations.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

[Start Course ↓](#)[Final Exam Copy ↓](#)

LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify the various charity options when gifting.
- Recall the advantages of the family limited partnership.
- Identify strategies for estate and succession planning for farmers.

Copyright Notice

© 2026 Pacific CPE, LP. All rights reserved.

This course and test have been adapted from supplemental materials and uses the materials entitled J. K. Lasser's New Rules for Estate, Retirement, and Tax Planning, 7th Edition © 2026 by Stewart H. Welch III. Displayed by permission of the publisher, John Wiley & Sons, Inc., Hoboken, New Jersey. All rights reserved.

The materials in this course — including the text, illustrations, exhibits, examples, exam questions, and review questions — are the copyrighted property of Pacific CPE, LP. No portion of this course may be reproduced, stored in a retrieval system, distributed, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of Pacific CPE, LP, except for the personal, non-commercial use of the registered learner.

Pacific CPE, LP grants the registered learner a single-seat, non-transferable license to access this course for the purpose of completing the associated continuing professional education credit. Account credentials may not be shared.

This course is provided "as is" for educational purposes. While Pacific CPE, LP makes a reasonable effort to ensure the content is current and accurate, the materials should not be relied upon as a substitute for professional advice. Pacific CPE, LP disclaims all liability for any error, omission, or loss arising from the use of, or reliance on, the course content.

Publication Date: March 2026

TABLE OF CONTENTS

CHAPTER

01

Strategic Planning With Charities 5

1.01	Outright Gifts To Charities	6
1.02	Testamentary Gifts To Charities.....	8
1.03	Gifts Using Charitable Trusts	8
1.04	Table 12.1 Survivorship Life Insurancea.....	11
1.05	Using Your Charitable Trust For Retirement Planning.....	12
1.06	The Private Foundation	15
	Test Your Knowledge.....	17

CHAPTER

02

Family Limited Partnerships 21

2.01	General Structure Of The Family Limited Partnership.....	21
2.02	Family Limited Partnership Rules.....	26
	Test Your Knowledge.....	33

CHAPTER

03

Succession Planning For The Family Business Or Farm 36

3.01	Special Estate Tax Benefits For Farmers And Closely Held Business Owners (Ultra-Wealthy).....	38
3.02	Succession Or Sale?	39
3.03	Succession Planning: Keeping The Family Business In The Family.....	40
3.04	Structuring Your Buy-Sell Agreement	42

3.05	Types Of Buy-Sell Agreements.....	43
3.06	One Final Strategy—The Employee Stock Ownership Plan	45
	Test Your Knowledge.....	47
	Final Exam Copy	65
	Glossary	50
	Index	

Chapter 1: STRATEGIC PLANNING WITH CHARITIES

Chapter Objective

After completing this chapter, you should be able to:

- Identify the various charity options when gifting.

In addition to fulfilling their philanthropic desires, most people making gifts to charities also have a keen interest in the income and estate tax benefits that come from such gifts. The income tax benefits are derived from gifts to charity made during life. Estate tax benefits can be generated when testamentary gifts (gifts at death) are made. Thanks to the OBBBA, estates valued under \$15 million (\$30 million for married couples) are not subject to death taxes, so people who have a strong charitable intent but who have estates less than the taxable amount may prefer to make their charitable gifts during life to obtain a current and more predictable tax benefit.

Regardless of tax benefits, more often the desire to make a significant gift to charity overshadows the donor's interest in the tax benefits.

If you want to leave part of your estate to charity, there are many strategies available that you can use to provide funds to your favorite charities while also providing estate and income tax benefits for you and your family. These strategies range from the simple strategy of outright gifts to the very complex strategies that utilize specialized trusts. Tax-exempt organizations generally include traditional charities, such as the Red Cross or United Way, as well as qualified educational institutions and religious organizations. Before making donations to any organizations, you should confirm that the group or foundation qualifies as a tax-deductible charity.

Tip

Because of the changes to the standard and itemized deductions (discussed in Chapter 1 of course 34151C), some taxpayers may consider bunching their charitable contributions to receive the benefit of the income tax deduction. For example, say you give \$5,000 per year to your alma mater. In 2026, you donate \$10,000 in December, notifying them that the gift covers both 2026 and 2027. For 2026, you'll itemize your taxes, but in 2027, you'll take the standard deduction. If you're giving personal property such as clothing, be sure to do so in the year you itemize your taxes. This will take a bit of forethought and planning.

We will begin by discussing the various issues involved in outright gifts to charities, and then we will review the more complex concepts that utilize trusts.

OUTRIGHT GIFTS TO CHARITIES

By far the most common way to donate to charities is through outright gifts, for example, writing a check or donating items of clothing or other property. However, we often find that people make mistakes when donating assets to charities. Once you have decided to make a donation to a charitable organization, you want to maximize the benefit to both you and the charity. We examine the pros and cons of various outright gifts to charities. For discussion purposes, each of the following strategies assumes you will file an itemized tax return rather than taking the standard deduction.

Gifts of Cash

Starting in 2026, there are two ways your gift can reduce your income taxes. If you do not itemize deductions, you may still claim a new above-the-line charitable deduction for cash gifts to public charities—up to \$1,000 per year if you file single or \$2,000 if you file jointly. This new deduction generally does not apply to gifts to donor-advised funds or private non-operating foundations.

If you do itemize, your cash gifts are deductible only to the extent your total annual giving exceeds a 0.5 percent of AGI floor. The usual percentage-of-AGI limits still apply after that (in most cases, up to 60 percent of AGI for cash gifts to public charities). For very-high-income taxpayers, the maximum tax benefit from charitable deductions is capped at 35 percent, rather than the maximum 37 percent tax rate.

Cash gifts are simple but create little leverage. Let's explore some more advantageous ways to give to charities.

Gifts of Property

The types of property that you can give are as varied as the types of property you own. For example, you might own an old car that is in excellent condition but has little resale value. You may not want the car, but it may be of value to a charity.

If you give property such as real estate or securities, not only do you remove the asset from your estate, but you also remove the future growth of that asset from your estate. The actual transfer of your property to your selected charity can take some time. If you are giving securities that are held in a brokerage account, usually the simplest way to complete the transfer is to have your charity open an account at the same brokerage firm. You can then contact your broker and have him or her “journal” your selected securities over to the charity’s account. For real property or tangible personal property, you need to have the deed or title transferred into the name of the charity. Note that charities may need to conduct an environmental study to make sure real estate is free from liability.

Gifts of Appreciated Property

Gifts of appreciated property—like stock or real estate you’ve held more than one year—often give you more tax benefit than writing a check. When you donate long-term appreciated property to a public charity, you generally can deduct the item’s fair market value, and you avoid the capital-gains tax you would have owed if you sold it first. Under the OBBBA starting in 2026, this deduction still counts only if you itemize and only to the extent your total annual giving exceeds the new 0.5 percent of AGI floor.

After that floor, the usual percentage caps apply: Most gifts of appreciated property to public charities are limited to 30 percent of AGI, with any excess carried forward for up to five years. For very high earners, the tax value of the deduction is capped at the 35 percent income tax rate. The new above-the-line charitable deduction for non-itemizers applies to cash gifts only, not to gifts of appreciated property.

For example, suppose you pledged \$12,000 to your church, and you own stock now worth \$12,000 that you bought years ago for \$2,000. Donating the stock lets you deduct \$12,000 (subject to the rules above) and completely sidesteps the capital-gains tax on the \$10,000 of appreciation. If you want to keep owning that stock, you can donate your old shares and immediately buy the same number of new shares with the \$12,000 you would have given in cash. You’ll still own the stock, but now with a \$12,000 cost basis (instead of \$2,000), which can reduce future capital-gains tax if you sell later.

Not every asset gets fair-market-value treatment. If the property is short-term (held one year or less) or it is inventory or certain other “ordinary-income” property, your deduction is generally limited to your cost basis. For gifts of tangible personal property (like art or equipment), you get a deduction for fair market value only if the charity will use the item in a way related to its mission. A tractor given to a church, for example, is usually not related use, so your deduction would typically be limited to what you paid for it.

Be sure to follow the paperwork rules. You need a written acknowledgment from the charity for any single gift of \$250 or more. For most non-cash gifts over \$5,000 (other than publicly traded stock), you’ll also need a qualified appraisal and to file the required IRS form with your tax return. If you can’t use the full deduction this year, you may carry the unused amount forward for up to five years; any remaining carryforward expires at death.

Gifts to Public Foundations

Like many people, you may have numerous charities that you would like to help. However, the transfer process described previously would be too burdensome for small contributions. Direct transfers would also not work if you want a deduction in this calendar year but are undecided about which charities you want to support or how much you want to give. Two excellent alternatives are the private foundation or a “donor-advised fund” of a community (or public) foundation. With this strategy, you are allowed to make a gift to foundations in cash, securities, or property and receive an immediate tax deduction (subject to the new rules under the OBBBA). The foundation then holds

your assets until you give them instructions on the disposition of your property to the charities you have chosen. Most of the public foundations can even provide you with information as to the worthiness of charities that you may be considering. For this service, you are charged a small fee that is usually based on a percentage of your contribution.

A more detailed discussion of private foundations is included later in this chapter.

TESTAMENTARY GIFTS TO CHARITIES

Often, people will make specific bequests to charities in their will, particularly to charities that have special meaning to them. However, if you don't need the asset, you can create more tax leverage by making your donation while you are alive. Say, in your will, you are leaving a certain piece of property to a charity valued at \$100,000. While the gift will not be subject to estate taxes, that doesn't matter unless your estate exceeds the \$15 million valuation. However, if you give it to charity while you are alive, you not only remove it from your estate (for estate tax purposes, if applicable), but you also receive a current income tax deduction that may be worth \$30,000 or more. Consider lifetime gifts if you do not need the asset.

GIFTS USING CHARITABLE TRUSTS

With outright gifts, you donate cash or property to a charity and receive a tax deduction. This is the only monetary benefit to you. If you are looking for additional benefits such as a continuing income stream for yourself or a portion of your assets passed to family members, you may want to consider using one or more charitable trusts. These trusts can be structured to achieve a variety of personal and charitable objectives. If you want to convert highly appreciated non-income-producing property into income-producing property while avoiding large capital gains taxes, then you might consider a *charitable remainder trust*. If you would like to see your favorite charity receive a stream of income from one of your assets, but want the property to remain in your family, then you should consider a *charitable lead trust*. If you would like to leave a lasting legacy of charitable giving for your heirs, you can establish a *private foundation*.

Charitable Remainder Annuity Trust

The charitable remainder annuity trust (CRAT) is an ideal vehicle for taking appreciated non-income-producing property and converting it into assets that can provide you or a family member with current income. Suppose you are age 55, married, and own land that is currently valued at \$900,000. Your cost basis in the property is \$90,000. You are considering an early retirement, but would need to convert assets to produce an income stream. Your first thought is to sell the property and reinvest the proceeds using our Growth Strategy with a Safety Net® strategy described in Chapter 1 of course 34152C. The results of the sale would be as follows:

Step 1: Determine the Tax

\$900,000	Current value of land
<u>-\$90,000</u>	Cost basis of land
\$810,000	Taxable gain
<u>×0.20</u>	Capital gains tax rate (high income taxpayer rate)
\$162,000	Capital gains tax
<u>\$24,700</u>	Plus 3.8% tax on net investment income
\$186,700	Total estimated tax

Step 2: Determine the Income

\$900,000	Proceeds from sale
<u>-\$186,700</u>	Total tax
\$713,300	Available to reinvest
<u>×0.05</u>	Withdrawal rate chosen
\$35,665	Cash flow annually

As an alternative, you should consider a CRAT. Here's how it would work. Let's assume that you are interested in leaving assets to your alma mater. You can decide what interest rate you would like to receive and whom you would like to act as your trustee. In this case, you choose 5 percent and elect to serve as trustee yourself. You have your attorney draft the document formalizing the trust. Your attorney then assists you with transferring the deed from your name as an individual to your name as trustee of your charitable remainder annuity trust. Once the property is transferred, you, as trustee, sell it for \$900,000. It is important that there be no prearranged sale of the trust asset before it is transferred to the trust. If that is the case, the donor (you!) will likely be responsible for the income tax from the sale of the assets.

Because the trust is tax exempt, there are no taxes due at the time of the sale of the property. You then place the entire sum in investments of your choosing. As trustee, you have full discretion over investment decisions. Because you elected a 5 percent payout, you will withdraw \$45,000 annually ($\$900,000 \times .05 = \$45,000$) for as long as you live. Note: The tax from the sale is actually deferred, and each annuity payment will have an ordering rule that contains a tax component. Not only do you increase your annual income, but you also receive significant income tax deduction for the gift of

your property to your CRAT (how large a deduction depends on federal discount and applicable interest rates).

Note

Charitable remainder annuity trusts have very specific rules that must be followed.

Charitable remainder annuity trusts have very specific rules that must be followed. Additionally, there are pitfalls for the unwary. For example, *unrelated business taxable income* is taxed at 100 percent.

This strategy is appealing, but you have two concerns. First, you are worried about your spouse's continuing need for income should you predecease him or her. Next, you are concerned about some potentially very unhappy heirs—your children. At your death, the remainder goes to your alma mater, and your children receive nothing. To resolve the spousal issue, you may explore setting the trust up so that the income is paid over both of your lives. As long as either one of you is living, the trust will continue to pay \$45,000 per year. The only thing this adjustment affects is your initial tax deduction. The deduction would be less because it includes two lives.

The issue concerning your children presents a more challenging, yet solvable, problem. Perhaps the best solution would be to take a portion your tax savings dollars and purchase a survivorship life insurance policy on the life of you and your spouse. Remember, you increased your cash flow by approximately \$12,000 per year by using the CRAT strategy versus an outright sale. An example of a \$900,000 survivorship life policy is represented in Table 12.1 (next page). This policy could be purchased using an irrevocable insurance trust as described in Chapter 3 of course 34154C. If your children are adults, an alternative would be to have them be the owner and beneficiary of the policy with you gifting them the cash to pay the premiums.