



# How to use your wealth to make a difference

Three financial planning strategies that can help create your lasting legacy

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# How to use your wealth to make a difference





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## Introduction

You know that smart tax planning and investment strategies can help you build wealth and safeguard it for the future. These fundamental building blocks shape your financial picture, but you may be interested in doing more with your wealth.

That's where legacy planning comes in. This type of planning asks you to envision how you want your money to be used and where it can make an impact. Through tactics like charitable giving, impact investing and using a trust as part of your estate plan, you can ensure loved ones are taken care of, special causes are advanced and your legacy continues.

This e-book lays the groundwork you'll need to integrate these key legacy planning strategies into your financial plan.

We hope these resources leave you inspired to reflect on the causes or values you'd like to support and the unique legacy you'd like to leave.



**To discuss these or other topics related to financial planning, reach out to a [U.S. Bank wealth professional](#).**

<sup>1</sup> AON MMI Investor Expectations Study, 2020.



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Toward the end of the year, many of us donate to charities, take part in gift drives and more. In fact, 20.1% of monthly giving occurs in December.<sup>2</sup> But charitable giving can involve more than simply writing a check – and it can leave a legacy that stretches far into the future.



**20.1%**  
of monthly  
giving occurs  
in December.

Forming a strategy that's integrated with your financial plan is a chance to make giving that much more meaningful while also passing on your values and legacy to future generations.

<sup>2</sup> Blackbaud Institute, 2021 Charitable Giving Report, Feb. 2022

# Strategy 1: Create a charitable giving plan

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Having a charitable giving strategy won't just make your money go further. It also serves as an example of your priorities and values.

Giving can provide deep personal satisfaction, help to make the world a better place, show your gratitude for the communities that shaped you and share your values with your family for generations.

But fulfillment in giving isn't always as simple as writing a check. When you give, you want to ensure your efforts are meaningful.

One way to do this is through a giving plan. "A giving plan strives to help you do three things," says Dan Harris, senior vice president and national director of Philanthropic Services at U.S. Bank. "Align your giving with your values, have meaningful experiences through your giving, and create a lasting impact

for your families and communities – whether you define community as your immediate neighborhood or the globe."

Here are three steps to take when creating a giving plan.

## 1. Integrate giving into your financial plan.

While many people donate generously, they don't always look at the larger picture. Harris recommends assessing your giving in the context of your overall [financial planning](#). "People often don't think of philanthropy as part of financial planning, but giving can be an integral segment of a family's overall financial strategy," he says.

## 9 charitable giving questions to discuss as a family

Here are some questions that may help you fine-tune your charitable focus.

		<b>1</b>	What nonprofits have you typically supported and why?
<b>2</b>	Do your values influence your charitable giving priorities?	<b>3</b>	Have you had meaningful experiences through your giving?
<b>4</b>	What results are you seeking when you give?	<b>5</b>	Have you made contributions that have given you great satisfaction?
<b>6</b>	Which recent gifts have been most closely aligned to your values?	<b>7</b>	How have your life experiences inspired your charitable giving decisions?
<b>8</b>	Which gifts do you feel have had the most lasting impact?	<b>9</b>	Would collaborating with others increase your impact?



Factoring giving into your financial planning can ensure you address any questions about the tax implications of your philanthropy, or if charitable giving can be incorporated into other big financial events to help lessen your tax burden.

## 2. Have a conversation to understand why you're giving.

Harris recommends talking about giving as a family, beginning with which charitable gifts over the past few years have been most memorable. This can help you define the values and goals that drive your philanthropy.

“I often hear from clients that they give to a lot of good causes. But the question is, might they feel better about their giving if they gave in a more focused way?” Harris says. “The answer is almost always yes.”

Take some time for introspection and discussion to help you prioritize your charitable objectives. A look back at your giving history can help you better align your giving with your stated values. In other words, create a giving strategy.

## 3. Determine your strategy.

Every individual and every family has unique philanthropic values and goals. Here are a few options to consider:



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Giving can be an integral segment of a family's overall financial strategy.

– DAN HARRIS, SENIOR VICE PRESIDENT  
AND NATIONAL DIRECTOR OF  
PHILANTHROPIC SERVICES, U.S. BANK

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- » **Donor-advised funds.** These simple funds are the fastest-growing philanthropic strategy, but not all are created equal. And how one is structured depends on your family's philanthropic goals and your approach to giving with options to give both locally and globally.
- » **Private foundations.** These offer a great deal of control, making them an increasingly popular strategy for families with significant assets. However, you'll need to work with your tax and legal advisors to help you establish and manage a foundation. [Learn more about donor-advised funds and private foundations.](#)
- » **Charitable trusts and estate plan gifts.** You can support your preferred charities through an [irrevocable trust](#). You may also want to consider making a bequest to a

charity through your estate plan. This would ensure your philanthropic goals are carried out even after you're gone.

- » **Impact investing.** If you want to support certain causes beyond just donating funds, consider impact investing, which involves investing for both financial gains and for social good.

## Making giving meaningful

Ultimately, giving is about doing good in the world. But it's also important to feel good about the impact you're having. That starts with making sure you're giving efficiently and meaningfully.



[Learn about charitable giving services from U.S. Bank.](#)



## Advanced charitable giving strategies to consider

These [charitable giving strategies](#) might allow you to further your impact in a tax-efficient manner.

- » **Gift of appreciated securities.** If you intend to sell stock with a low cost basis, you may consider gifting those securities to charity, which would avoid capital gains tax liability or NIIT impact.
- » **Qualified charitable distribution.** If you're 70½ or older, a QCD allows you to efficiently pass on up to \$100,000 directly from your IRA to qualified charitable organizations.

# How much do Americans give to charity?

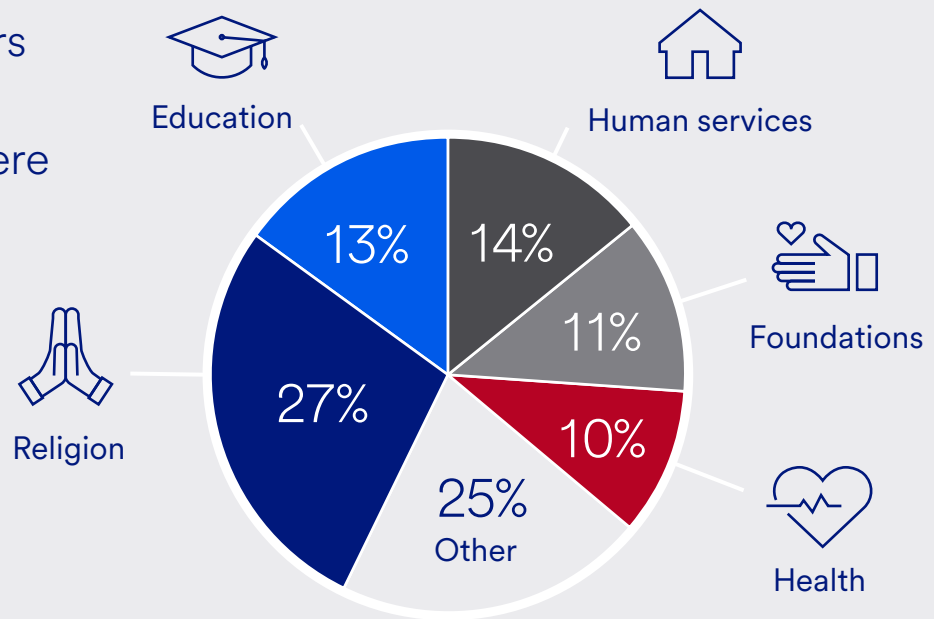
**\$319 billion**

was donated by individuals in 2022.  
That's \$874 million every day.

**\$105 billion**

was donated by foundations in 2022.

The top five sectors that received the most donations were (% of total giving):



Source: The Giving Institute, Giving USA 2022 report

## Disclosures

U.S. Bank and its representative do not provide tax or legal advice. Your tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation.

Thinking about charitable giving brings up important questions about your priorities and values. These same considerations may also drive your investment strategy.

Today's investors are increasingly looking to align their investments and their personal values. Impact investing, also known as ESG (environmental, social and governance) investing, is one way you can leverage your portfolio to champion your wider vision, including supporting certain causes beyond donating funds.

# Strategy 2: Explore impact investing

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Interest in impact investing has grown significantly in recent years. A recent study suggests that 63% of investors are likely to invest in companies that align with their values, while 68% are likely to avoid investing in companies that contradict their values.<sup>3</sup>

If you're interested in incorporating this approach into your investment portfolio, it's important to understand the opportunities as well as other considerations that may affect your decision.

## Definition of impact investing

Impact investing is defined as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”<sup>4</sup> Stated simply,

it's “putting your money to work in a manner that reflects your personal values,” says Chad Burlingame, CFA, CAIA, head of Impact Investing at U.S. Bank.

Everyone has different beliefs, so no two investors will have the same approach to impact investing. Whether you want to support companies or funds that are dedicated to promoting diversity or addressing climate change, you can now find investment opportunities that align with your values.

<sup>3</sup> [Where U.S. Investors Stand on ESG Investing, Gallup, February 23, 2022](#)

<sup>4</sup> [What You Need to Know About Impact Investing, Global Impact Investing Network \(GIIN\)](#)



The universe of options within the impact investing framework has expanded in recent years. Many mutual funds and exchange-traded funds (ETFs) offer a variety of ways for individuals to participate in this marketplace. Impact investing can also be directed toward private market equity or debt. In fact, it's now possible to broadly diversify your entire portfolio, across a range of asset classes, through impact investing.

“In the real world, the definition of ‘impact investing’ is very much unique to each person,” says Burlingame. “Once you’ve identified what values you want to be aligned with your money, we can identify the most effective ways to incorporate impact investing into your portfolio strategy.”

## Impact investing, ESG investing and socially responsible investing (SRI)

Impact investing includes environmental, social and governance (ESG) considerations. ESG investing looks at three dimensions of a company:

- » **Environmental:** Broad areas of impact related to climate change, energy efficiency, pollution, water scarcity and biodiversity.
- » **Social:** Factors that impact the work environment and community such as human rights, gender and racial diversity, educational opportunities, labor standards and employee engagement.

- » **Governance:** Factors that affect company performance, such as the diverse makeup of corporate boards, levels of executive compensation, auditing practices, lobbying activities and political contributions.

Impact investing also seeks to support the efforts of businesses and organizations to complete projects aimed at having a positive benefit on society.

A precursor to ESG and impact investing was socially responsible investing (SRI). This approach primarily focused on eliminating certain investments that did not match the investor's ethical guidelines. A common example would be the avoidance of investing in stocks of tobacco companies.

### **Generating a financial return with impact investing**

When determining your own objectives for impact investing, it may be helpful to choose your approach. There are generally two options:

- » **“Concessionary” investing:**  
The primary focus is that the investment makes a significant impact, with less emphasis placed on generating a positive return. This tends to lean toward a philanthropic intent, with investment results a secondary consideration.

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Once you've identified what values you want to be aligned with your money, we can identify the most effective ways to incorporate impact investing into your portfolio strategy.

– CHAD BURLINGAME, HEAD OF IMPACT INVESTING, U.S. BANK

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- » **“Non-concessionary” investing:** While seeking to still have a positive impact, greater emphasis is placed on assuring that attractive financial returns are generated. The investor proceeds with a belief that profitable opportunities can be found by investing with specific purposes in mind.

The lack of performance history makes it difficult to definitively state that a focus on impact outperforms other investment styles. Yet according to a survey by the Global Impact Investing Network, 79% of respondents reported that their financial expectations were met or exceeded. More than two-thirds of them indicated their expectation was to earn risk-adjusted, market-rate returns.<sup>5</sup>

## The challenges of screening for impact investing opportunities

While the number of available options claiming to meet the definition of impact investing has ballooned, to accomplish your specific objectives, a thorough assessment is required to clearly identify the fund’s intentions as it relates to ESG. Most important is to sort through false promises and misleading claims, a concept broadly referred to as “greenwashing.” This term describes instances when a company executive or investment manager conveys a false impression or provides misleading information about the merits of impact in its products or services.

<sup>5</sup> 2023 GIINsight: Impact Investing Allocations, Activity & Performance. Global Impact Investing Network (GIIN)



“Funds must have a proven intention and ability to deliver on their impact investing objectives over an extended period of time,” says Burlingame. “Measuring the ‘non-financial’ benefits of an investment (its success in making an impact) can be more complex than measuring the financial return of an investment. Some aspects of ESG performance are easier to measure than others.”

For example, environmental measures, such as the carbon output created by a company, have become more readily available in recent years. Social and governance metrics are regularly reported as well (such as statistics regarding the level of diversity in a company’s workforce and corporate board).

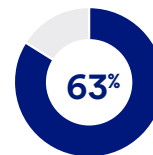
Yet some of the measures can remain tenuous. Morningstar, a firm recognized as a leader in assessing the performance of mutual funds, only began applying impact ratings in 2016. The lack of consistency in ratings along with the relative newness of many firms in the business makes the investment selection process more challenging.

This further highlights the value of professional guidance in your investment selection. Burlingame notes, “The

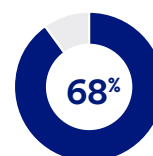
process for identifying the right impact investments requires the right combination of qualitative and quantitative analysis. As the industry evolves, new investment alternatives arise and the need for careful assessment becomes even more pronounced.”

## Building and managing wealth with positive outcomes

The ultimate objective of impact investing is for you to feel comfortable that the money you’re investing is designed to “do good” over the long run. Achieving investment goals does not need to be separate from mitigating risks or seeking to solve today’s environmental, social or governance challenges. Your values can be meaningfully incorporated into your investment strategy.



of investors would like to invest in companies that align with their personal values.



of investors are likely to avoid investing in companies that contradict their values.

Source: Gallup



[Learn how U.S. Bank approaches impact investing.](#)

### Disclosures

Exchange Traded Funds (ETFs) are subject to risks similar to those of stocks, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. ETFs may trade at a discount to their net asset value and are subject to the market fluctuations of their underlying investments.

Trusts are another useful tool to help align your wealth with your values as part of your financial plan. Specific trusts are designed to achieve particular goals.

The first step is deciding what type of trust is best for you, your financial situation and the legacy you wish to leave. The right trust will mirror your goals and circumstances, as well as ensure your money is handled appropriately in the future.

# Strategy 3: Choose the right trust for you

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A trust can help you accomplish many goals, from supporting loved ones to directing money to organizations you care for. Deciding on the right type depends on your financial goals.

The world of trusts is not one-size-fits all. The type of trust you choose should reflect your unique wishes for how your assets are handled now and in the future.

“A trust can help you navigate specific tax concerns or creditor protection, ensure your wealth supports your family, or leave a legacy for a charitable cause you believe in,” says Terry Ruhe, senior vice president and regional trust manager for U.S. Bank Wealth Management. “Whatever your wishes, there’s a trust for you.”

The two basic trust structures are revocable and irrevocable. The biggest difference is that revocable trusts can be changed after they are created, while irrevocable trusts typically cannot. (There are a few exceptions, though, as state laws can vary considerably.<sup>5</sup>)

“Both revocable and irrevocable trusts can provide specific benefits depending on your intent,” Ruhe continues.



**Watch: Trust terms you need to know**

<sup>5</sup> [“Exceptions to an Irrevocable Trust”, The Balance](#)

“ Both revocable and irrevocable trusts can provide specific benefits depending on your intent. ”

– TERRY RUHE, SENIOR VICE PRESIDENT AND REGIONAL TRUST MANAGER,  
U.S. BANK WEALTH MANAGEMENT

## Revocable trusts

A revocable trust – also referred to as a living trust – is one that can be changed after it’s created. “A revocable trust can accomplish many of the same things as a will. However, there’s one key difference,” says Ruhe. “By creating and transferring your assets to a revocable trust, you can avoid the probate process that’s required for a will.” Probate can be both lengthy and public, and a revocable trust usually is not public.

Because you can make changes to your revocable trust at any time, for certain purposes you are still viewed as the owner of the assets – even though you have a trustee who manages the trust for you. For example, you’ll be responsible for making tax payments and reporting on the trust’s investment returns, and revocable trust assets are includable in your estate and are available to creditors.

You can set up your revocable trust to play out in several different ways, too. You can have your revocable trust end upon your death, and have all assets distributed to your beneficiaries at that time. You can also set it up so that when you pass away, that revocable trust automatically creates irrevocable trusts that continue for different people or institutions.

## Irrevocable trusts

You typically cannot change or amend an irrevocable trust after it’s created. The assets move out of your estate, and the trust pays its own income tax and files a separate return. This can give you greater protection from creditors and estate taxes.

You can set up your will or revocable trust to automatically create irrevocable trusts at the time of your death. When you use your will to create irrevocable trusts, it’s called a testamentary trust. But you can also set up irrevocable trusts during your lifetime.

There are a variety of irrevocable trust types to choose from, depending on your unique circumstances. “Your reason for setting up an irrevocable trust is critical in helping you select one that fits your needs,” says Ruhe. She recommends asking yourself why you’re setting up a trust. Is it to:

- » Transfer wealth to the next generation?
- » Keep a family business in the family?
- » Leave a legacy with a charity you support?
- » Minimize estate taxes for you or your beneficiaries?
- » Shield your assets from creditors?

# Who will administer your trust?

Specifying a trustee is a critical step in setting up a trust. They'll be legally bound to manage the trust in accordance with the terms of the trust document and to always act in your and your beneficiaries' best interests. Here are the three options you have for choosing a trustee:

1



**An individual,**  
such as a family  
member or friend

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2



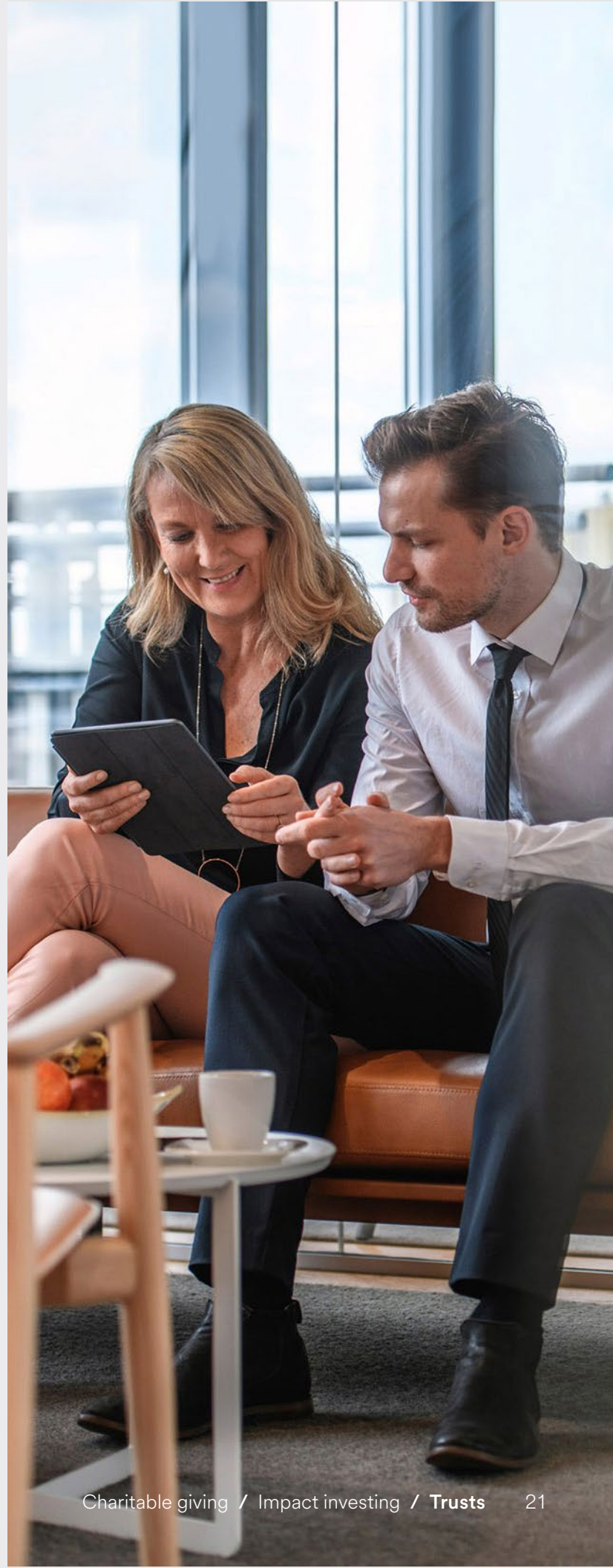
**A corporate trustee,**  
such as U.S. Bank

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3



**Co-trustees,**  
or one individual and one  
corporate trustee





The following are scenarios where these concerns can be addressed through a type of irrevocable trust.

### **Irrevocable life insurance trusts**

This type of trust (also called an ILIT) is often used to set aside funds for estate taxes. An ILIT might be particularly useful if you own a family business that's set to remain in your estate when you pass away. You can create an ILIT ahead of time to ensure the business stays in your family, despite estate bills, by gifting the premium on your life insurance into the ILIT each year.

Your trustee will own the policy, and when you pass away, the trustee collects the policy proceeds. Those proceeds can be distributed to the trust's beneficiaries, who can use them to pay estate taxes, ensuring they won't have to sell the family business. They may also use it to fund a buy/sell agreement where they buy out the remaining owners once you pass away so they can control the company.

### **Grantor retained annuity trusts (GRATs) and qualified personal residence trusts (QPRTs)**

There are certain irrevocable trusts that are intended to last for only a specific term of years. Two examples are grantor retained annuity trusts (GRATs) and qualified personal residence trusts (QPRTs).

"GRATs are a common way for people to minimize taxes on financial gifts to their

beneficiaries," says Ruhe. With this type of trust, you contribute assets to the trust and receive an annuity payment on a regular basis, usually a set percentage of the original amount of assets. The assets in the trust will inevitably rise and fall in value.

When the terms of the trust end, any remaining funds, including appreciation on the funds, transfer to your beneficiaries gift-tax free. If you're no longer alive when the terms end, the assets will be part of the estate and subject to estate tax.

QPRTs are another way to transfer assets to beneficiaries – more specifically, real estate. "Let's say you want to give your home to your child but have no plans to move out," Ruhe says. "You could set up a QPRT for 10 years. If you're alive at the time the trust terminates, the property passes outside of your estate and on to your child."

These are strategies to leverage both time and appreciation to get assets out of your estate with the goal of saving money on estate taxes.

### **Charitable remainder annuity trusts**

Certain irrevocable trusts, such as a charitable remainder annuity trust, can help you leave a lasting charitable legacy. In this instance, you can set up the trust so that the primary beneficiaries (your children, for example) receive income



to start, and then a charity you choose receives any remaining assets.

Or you could have it set up the opposite way, meaning the charity receives income from the trust and then, after a certain period of time, the trust terminates and the remaining assets go to your children. You may also be able to take an income tax deduction up front for setting up this type of trust for a charitable donation.

### Special needs trusts

If you have a child or family member with a disability, you might consider setting up a special needs trust. Special needs trusts are typically created for individuals who are eligible for government benefits due to disability. You can set up this type of trust to provide for that individual in addition to them receiving government assistance.

Gifting money to a child with special needs outside of a special needs trust may disqualify them from receiving Supplemental Security Income (SSI). With a special needs trust, you can provide for your child while ensuring they're still qualified for government benefits. Read more about [financial planning for families with a disabled child](#).

### Domestic asset protection trust

A domestic asset protection trust, also called a self-settled trust, can be set up to protect assets from future creditors, though it's not an option in every state. Some people set up this type of trust for

their children so that assets stay in the family in the event of a divorce (the spouse wouldn't have a claim on the assets).

### Generation skipping trusts

A generation skipping trust (GST) is a trust people often choose for tax reasons. "With this type of trust, you designate assets to your grandchildren, skipping your children in order to bypass estate taxes that would apply if they directly inherited your assets," says Ruhe.

While there is something called [generation skipping transfer tax](#) to consider, each individual has a generation skipping tax exemption, just as you have an estate tax exemption. "The key would be to fund your trust with an amount equal to your generation skipping exemption, located in a state with liberal laws as to how long a trust can last, and let it grow through the generations," Ruhe adds.

These are just some of the many types of trusts available. When you know what you want out of your trust and how you want it to affect future generations, you can work with your tax and legal advisors to narrow down which trust makes the most sense for you.



**[Naming your trustee is a critical step in setting up a trust. See our checklist for how to choose a trustee.](#)**





## The 4 other elements of estate planning

Establishing a trust may be one piece of your estate planning process. Other elements may include:

- 1 Financial and healthcare powers of attorney.** This person (or people) will handle your property, financial and healthcare matters if you're unable to do so yourself.
- 2 A will.** This documents how you want your assets distributed after you die, as well as who you'd want to care for your children.
- 3 Advance healthcare directive or living will.** Advance directives provide instructions related to your end-of-life care if you're unable to communicate them.
- 4 Life insurance.** Life insurance can play a critical role in ensuring your legacy.



# Take the next step on your legacy planning journey.

To discuss these or other topics related to financial planning,  
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**Impact investment funds** are speculative and involve a high degree of risk. These investments involve a substantially more complicated set of investment strategies than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. There is no guarantee an investment in an impact investment fund will meet projected investment or income objectives. Always refer to a Fund's most current offering documents for a more thorough discussion of risks and other specific characteristics associated with investing in private capital and impact investment funds.

**Environmental, Social and Governance ("ESG")** investment strategies limit the types and number of investment opportunities available and, as a result, ESG focused funds may underperform other funds that do not have an ESG focus. ESG investment strategies may result in the funds investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards.

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