

Maximize Your Impact: Charitable Giving Strategies

Now is an excellent time to revisit your charitable giving plan and the tools you want to employ in it this year. Review the following strategies with your advisor to help maximize your plan’s impact not only on your own financial picture but also for the causes most important for you.

Are you sitting on large unrealized gains in your portfolio?

If so, then gifts of **appreciated securities** may be a useful tool.

? What are they? Shares of publicly traded stock (or mutual funds or ETFs) you’ve held for longer than a year and that are worth more today than they were when you purchased them.

Perhaps your accounts have large unrealized gains on securities that you’ve held for longer than one year. Giving appreciated stock allows you to donate (and deduct) its current market value while also eliminating capital gains taxes you might otherwise owe. And if you were going to support a cause anyway, this approach can be a tax-efficient way to divest highly appreciated stock or rebalance back to your target allocation. Gifting appreciated stock through a DAF (see below) can further maximize the tax benefit.

Would you like to write off a large charitable contribution this year while donating the dollars over time?

If so, then a **Donor Advised Fund (DAF)** or **Charitable Lead Trust** may make sense for you.

? What is a DAF? An account in a private fund where you deposit assets and from which you make contributions to charitable organizations. A third-party sponsoring organization administers the account and legally controls the funds in it. You recommend how to invest assets and where to donate them.

DAFs may allow you to take a tax deduction for contributions to the account in the current tax year even if the money isn’t distributed to charities until later - particularly powerful if you know you will be in a much higher tax bracket in a given year. That way you can bunch contributions when the charitable deduction is most advantageous to fund future giving. Another technique to consider may be a reversionary grantor charitable lead annuity trust (i.e. “CLAT”), reverts back to the donor at the end of the charitable term. Annual payments are made to charity, often a DAF. Grantor CLATs are primarily used to target income tax savings.

Are you 70½ or soon to be? Do you have IRA RMDs that you want to exclude from income?

If so, you may want to explore a **Qualified Charitable Distribution (QCD)**.

? What is it? A non-taxable IRA distribution that taxpayers 70½ or older can send directly to a qualified charity.

Even though required minimum distributions (RMDs) from your IRA don’t begin until 73, you can make QCDs once you reach 70½ (actual age). QCDs exclude the IRA distribution from income entirely. While there is no charitable deduction received for making a QCD, the ability to exclude the income from the start is advantageous for those not in a position to itemize. QCDs can help itemizers and non-itemizers alike by helping to minimize AGI and MAGI, to which many other benefits (e.g., credits) and additional costs (e.g., Medicare premiums) are tied.

Without counting the charitable gifts you have made or expect to make this year, would you take the standard deduction?

If so, then **“bunching”** is a strategy you may consider.

? What is it? “Bunching” involves loading more than one year of donations into a single year, reducing the number of years that you donate but giving more when you do, so that you see a larger cumulative tax benefit for the same total amount of charitable contributions.

It is only by exceeding your standard deduction amount that charitable contributions provide a current tax benefit. By grouping multiple years of contributions into one year, you help maximize the tax-savings value of your deductions by having as little as possible of your charitable contributions “wasted” just getting your total itemized deductions up to the standard deduction you claim. This doesn’t need to mean a change in your level of giving, just the timing.

While it’s likely that one or more of these strategies could go a long way toward helping you reach your charitable giving goals, this isn’t an exhaustive list of the tools at your disposal. However, a decision to employ strategies that are more advanced than these – for example, charitable remainder trusts, charitable lead trusts, and private foundations – generally makes sense only for those looking to satisfy substantial philanthropic intent. Talk with your advisor about what set of tools is right for your giving plan.

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