

Maximizing Your Impact With Charitable Giving Strategies

Charitable giving is a meaningful way to support causes you care about while also benefiting from potential tax advantages. To make the most of your generosity, exploring various charitable giving options and collaborating with your financial advisor is essential. This article will guide you through several strategies that can help you achieve your philanthropic goals in a tax-efficient manner.

CHARITABLE GIVING & FINANCIAL PLANNING

Donating appreciated assets, such as stocks, bonds, or real estate, can be a highly effective way to give. Instead of selling the assets and donating the cash proceeds, you can donate the assets directly to a charitable organization. By donating appreciated assets directly, you avoid paying capital gains tax on the increase in value, which would be incurred if you sold the assets. Additionally, you can claim a charitable deduction for the full fair market value of the donated assets, subject to certain limitations based on your adjusted gross income (AGI).

For example, suppose you purchased stock for \$5,000 several years ago, and it is now worth \$20,000. If you donate the stock directly to

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a charity, you avoid the capital gains tax on the \$15,000 appreciation and can claim a \$20,000 charitable deduction. You can also carry over any excess unused deductions for up to five years until it is used up.

TYPES OF CHARITABLE GIVING ACCOUNTS

Donating appreciated assets can be done in several effective ways, each offering unique benefits.



Donor-Advised Fund

A Donor-Advised Fund (DAF) is a charitable giving account that allows you to make a charitable contribution, receive an immediate tax deduction, and then recommend grants from the fund over time. This flexibility makes DAFs an attractive option for strategic charitable giving, and the assets in the DAF can be invested and grow tax-free, increasing the amount available for future grants. And just like giving directly to charities, you can claim a charitable deduction for the full fair market value of the donated assets to a DAF, subject to certain limitations based on your adjusted gross income (AGI).

In addition, you can carry over any excess unused deductions for up to 5 years until it is used up. You can recommend grants to your favorite charities at any time, providing a way to support multiple organizations over the years. To set up a DAF, select a sponsoring organization, contribute assets (cash, stocks, real estate, etc.), and recommend grants to qualified charities at your convenience. If you need a tax deduction but do not want to give all of your distributions to one charity or are uncertain which charities to give to, a donor advised fund can be a great choice.

MAXIMIZING YOUR IMPACT WITH CHARITABLE GIVING STRATEGIES



Qualified Charitable Distribution (QCDs)

For individuals aged 70½ or older, Qualified Charitable Distributions (QCDs) offer a tax-efficient way to donate from your Individual Retirement Account (IRA). A QCD allows you to transfer [up to \\$105,000 per year \(indexed annually\)](#) directly from your IRA to a qualified charity without counting the distribution as taxable income. If you are required to take minimum distributions (RMDs) from your IRA, this method can be used to satisfy your RMDs without increasing your taxable income. The transferred amount is excluded from your taxable income, potentially lowering your overall tax liability. To execute a QCD, contact your IRA custodian to initiate the process, ensure the check is made payable directly to the qualified charity, and obtain a receipt from the charity for your records. In addition, work with your CPA to make sure your QCD gets reported on your tax forms correctly.



Charitable Remainder Trust

A Charitable Remainder Trust (CRT) is a powerful tool for those looking to make a significant impact while also receiving income. When you create a CRT, you transfer assets into the trust and receive an income stream for a specified period or for life. After the trust term ends, the remaining assets go to your chosen charities. CRTs provide you with a steady income stream, which can be especially beneficial during retirement, and you receive an immediate charitable deduction based on the present value of the remainder interest that will go to charity. Additionally, the assets in the trust can grow tax-free. To establish a CRT, work with an attorney to draft the trust document, fund the trust with appreciated assets, cash, or other property, and designate the charities that will receive the remainder interest.

CHARITABLE GIVING PLAN

[Working with a financial advisor](#) is crucial to effectively implement these charitable giving strategies. Your advisor can help you assess your options, review your financial situation and philanthropic goals to determine the best giving strategies for you, and understand the tax benefits and implications of each option, ensuring you maximize your tax savings. Collaborating with your tax advisor and attorney ensures all aspects of your charitable giving plan are aligned and compliant with current laws.

Charitable giving can be a deeply fulfilling way to make a difference, and with the right strategies, you can maximize both your impact and your tax benefits. By exploring options like donating appreciated assets, utilizing QCDs, setting up DAFs, and creating CRTs, and working closely with your financial advisor, you can create a comprehensive and effective charitable giving plan.

Interested in setting up a charitable giving plan? [Contact us today.](#)

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