

Enhance Your Giving

Donations to disaster relief, food banks, and other charities can make a big difference to people in need. With all the great organizations there are many ways to support the causes that matter to you. You can give time and energy, donate items or cash, or with the proper planning you can support the charity you care about, while potentially saving significantly on taxes. Did you know you can give a direct donation of stocks or mutual funds to a charity via DTC transfer, make a Qualified Charitable Distribution (QCD) from your IRA, or create a donor-advised fund (DAF)? Working with a CERTIFIED FINANCIAL PLANNER™ professional can help you give more by creating a plan customized to your goals, your investments, and your tax circumstances.

A direct donation of stocks or mutual funds can help your favorite charity and potentially offer multiple benefits. If you own an asset in a non-qualified (taxable) investment account with a low cost-basis, then selling that holding could create a significant taxable event for you. By gifting the long-term appreciated securities, you no longer need to worry about paying capital gains tax and you may use the stock's fair market value (FMV) as an itemized tax deduction. Gifting may also result in lowering your over-all investment risk and be helpful in rebalancing your portfolio, since that usually involves selling portions of investments that have done well. Taking the time to evaluate your portfolio prior to donating can help you make the best decisions for your financial situation and may result in a larger donation.

If you do not have highly appreciated securities to donate and you are over the age of 72 then you may want to give directly from your IRA. This is a popular choice for donors over the age of 72 because they have Required Minimum Distributions (RMD). An RMD is the amount that must be withdrawn from the retirement account and paid taxes on annually. To be considered a Qualified Charitable Donation (QCD) the distribution must be made directly to the qualified organization and must be substantiated by a written receipt from the charity. As in the case of a direct donation of stocks or mutual funds, donating your RMD directly can result in the charity receiving more money than if the assets had been distributed to you. A distribution directly to you would be taxed as ordinary income but when you send the funds directly to the charity the amount is excluded from your taxable income.

Depending on your gifting goals, it may be beneficial to establish a donor-advised fund (DAF). A donor-advised fund is a charitable investment account set up to receive assets as irrevocable gifts and

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there are several different types to choose from. When you establish a donor-advised fund you transfer assets, avoiding capital gains and receiving immediate tax benefits. Many clients like this method as you can take a tax deduction the year the fund is established and the donation made, but you get to advise on which causes are supported. The decisions are made on your timeline and directed by your goals. In the meantime, the value of the asset may grow, but the growth is not taxable income. Other benefits can include the ability to work with the charity to fund a specific program, and the option to direct assets remaining in a donor-advised fund to your choice of charities after you pass away. Donor-advised funds do have fees and a minimum donation amount that are not associated with directly donating to charities. Many donor-advised funds accept cash, as well as non-cash assets like stocks, mutual funds, or bonds, even non-public companies, and life insurance.

There are many ways to accomplish charitable giving and by working with a CERTIFIED FINANCIAL PLANNER™ professional you may be able to give more efficiently and donate more to causes that matter to you. Whether you chose one of the donation methods listed above, gift directly, or gift through charitable trusts, Wagner Planning will strategize with you. We can collaborate with your tax and estate planning professionals to create a personalized gifting plan that helps you live the life you want and shape the world around you.

This article was written by Sandra J. Wagner, CFP®. Sandra has been helping people with their finances since 2001. She is a CERTIFIED FINANCIAL PLANNER™ professional, as well as president and CEO of Wagner Planning.

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