There are a number of charitable giving techniques which can be used to make tax efficient donations to qualified charities.

Some of these include:

Gifts of Appreciated Stock

If a donor has a non-retirement investment portfolio with long-term gains in the account, these positions can be donated and the long-term capital gains on the sale will be completely avoided.

Example: Your intention is to make a $10k gift. If you have a position of Apple stock which you purchase in 2014 for $100 and today's value is $200. If you sold 50 shares, you would generate a long-term capital gain of ~$5000 and the tax liability on that gain would be an estimated $1000. If you were to donate the stock directly, this $1000 tax liability would be completely avoided.

If you make the donation via cash or stock, you would receive the same $10k potential deduction. If you make it via the example above, the capital gain is avoided.

Donor Advised Fund

A donor advised fund (DAF) could be best described as a charitable investment account that provides simple, flexible, and efficient ways to manage charitable giving. The money or assets that go into a donor advised fund becomes an irrevocable transfer to a public charity with the specific intent of funding charitable gifts. This public charity serves as the administrator of the DAF.

The DAF is a private account set up as a vehicle to assist in your long-term charitable planning needs. With a DAF, the deduction is taken in the current year and the distributions can take place years to come. A DAF can have advantages when a donor has a high taxable year due to liquidity event or high earnings. While funds wait to be donated, they can grow in market portfolios tax-free. There are a number of companies that help set up these accounts, and American Endowment Foundation is just one, https://www.aefonline.org/what-donor-advised-fund.

Individual Retirement Accounts (IRAs)

When an individual reaches the age of 72, they are required to take distributions from their IRA accounts. Up to $100k of these distributions can be made directly to our qualified organization and this distribution is considered nontaxable. There are known as Qualified Charitable Distributions (QCDs) https://www.irs.gov/publications/p590b#en_US_2019_publink100041439

Note that QCDs can be taken at age 70 ½ prior to the required minimum distributions.

Gifts of Life Insurance

Charitable organizations can be named as a beneficiary to your private or employee-sponsored life insurance policy.

Wills and Trusts

Charitable organizations can be named as a beneficiary of your will or trust. This option allows your gifting to leave a legacy in your honor. If you are interested in this, we can help supply the needed language.

We strongly encourage all donors to seek counsel from their own legal and tax advisors to make sure these strategies are appropriate for your circumstance. These are examples and should not be considered personal advice.

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