



## Developing Pathways to Planned Giving and High-Impact Philanthropy

Using charitable giving strategies to enhance the tax-efficiency of your donations plays a vital role in maximizing the impact of your gifts. Take time at year-end and during the year to consult with your tax and financial advisors to optimize your giving.

### Ways to Give

#### Gifts of Assets

##### Cash

Writing a check is the simplest way to make a charitable contribution. You do not have to transfer stock certificates, titles, or other ownership documents or worry about your basis or valuations for tax purposes. If you itemize deductions, gifts of cash to qualified public charities can be deducted in an amount up to 60% of your adjusted gross income (AGI) in a given year.

##### Appreciated Assets

By donating long-term appreciated securities to charity, you can minimize paying taxes on the most efficient lowest basis shares, providing considerable tax efficiencies versus selling the stock and donating the after-tax cash proceeds. If you own assets that have appreciated significantly since you acquired them and you have owned them for more than one year (long-term unrealized gains require a 12-month holding period), donating these assets, rather than cash, may help you maximize the tax benefits of your gift.

When you donate long-term capital gain property, such as publicly traded stock, shares in a private company, and, in some situations, real estate, you can deduct the asset's full fair market value (FMV) at the time of the gift. In addition to enjoying the deduction, you will avoid having to pay capital gains tax on the appreciation. The charity can either hold the stock as an investment or, because of its tax-exempt

status, sell the stock immediately without any tax impact. When contributing less marketable assets, such as shares of a privately owned company or real estate, you may need to obtain a qualified appraisal from a valuation professional.

##### Depreciated or "Loss" Assets

If you would like to dispose of assets that are worth less than your basis, it is not advisable to donate them to charity. Rather, sell the assets so that you can recognize the loss on your income tax return and then donate the sale proceeds to charity.

##### Non-Cash Assets

Donors may also contribute complex and illiquid assets—such as private company stock, restricted stock, real estate, alternative investments, cryptocurrency, or other long-term appreciated property—directly to charity. Making this type of donation requires more time and effort than donating cash or publicly traded securities, but it has distinct potential advantages. These types of assets often have a relatively low cost basis. In fact, for entrepreneurs who have founded their own companies, the cost basis of their private C-corp or S-corp stock may effectively be zero.

Contributing non-publicly traded assets to charity, however, involves additional laws and regulations, so investors should first consult their legal, tax, or financial professional. Also, not all charities have the administrative resources to accept and liquidate such assets. This is where you might consider a donor-advised fund (DAF) program (see next page for

more information). DAFs are able to accept these assets and can work with investors and their financial professionals, providing them with guidance throughout the process.

### Life Insurance

Name the charity of your choice as beneficiary of all or a percentage of a fully paid life insurance policy you may no longer need and you may receive a charitable estate tax deduction for the portion you designate for charity.

### Donations of IRA Assets

If you are 70 ½ years of age or older and have a traditional individual retirement account, you can make an immediate and tax-efficient impact through a qualified charitable distribution (QCD). QCDs count toward the IRA owner's required minimum distribution (RMD) for the year. For some donors, QCDs may provide even greater tax savings than cash donations. Furthermore, couples who file their tax returns as married filing jointly are each eligible to make a QCD, which collectively allows for a potential total gift of \$200,000.

Also, starting in 2023, donors can additionally allocate a one-time QCD of \$50,000 to a charitable remainder trust or charitable gift annuity as part of the SECURE Act 2.0 legislation. Lastly, starting in 2024, the annual QCD limits will be adjusted for inflation.

You may also consider making a charitable bequest of part or all of your retirement account to a charity. A retirement account bequest is one of the most tax-efficient ways to fund a charitable gift from your estate. By making a charity the beneficiary of your retirement account, you may reduce or eliminate federal estate and income taxes related to your retirement account at your passing.

### Bequests

Include a charity in your will or trust for a specific dollar amount, a percentage of your estate, or another type of provision to make a thoughtful gift and receive potential tax savings for your estate. Many charities have legacy societies you can join and engage in when you make a bequest known.

## Noncash or Publicly Traded Asset Gift Options

There are various assets you might donate to a public charity:

- Publicly traded securities
- Restricted stock
- Real estate
- Privately held business interests
- Private equity fund interests
- Cryptocurrency
- Fine art and collectibles
- IPO stock
- Equity compensation awards

## Gifts That Protect Assets and Pay Income

### Charitable Gift Annuities

To establish a charitable gift annuity, a donor makes a gift of cash or appreciated securities to a charity. In exchange, the donor is eligible to receive a charitable income tax deduction and receives periodic payments for life. Payment amounts may be made to the donor or to another person and are based on the age of the person receiving the payments.

### Charitable Remainder Trusts

A charitable remainder trust is established when cash or securities or another asset are transferred to a trust. The donor or other designated recipient receives payments from the trust for life or for a term of years (not exceeding 20). At the end of the lifetime or term of years, the trust terminates and the assets pass to charity. Charitable remainder trusts may be most suitable for individuals who own low-basis, high-quality, appreciated securities and would like to increase cash flow and diversify assets in a tax-efficient manner.

### Charitable Lead Trusts

A charitable lead trust is established when cash, securities, or other assets are transferred to a trust. The donor arranges for one or more charities to receive payments from the trust. At the end of the trust term, the assets pass to the donor or family members. Charitable lead trusts may be most suitable for financially secure individuals who wish to transfer wealth to heirs in a tax-efficient manner and provide current cash flow to a designated charity.

## Gifts From Other Entities

### Corporate or Employee Matching Gifts

Many companies offer their employees the ability to maximize their charitable contribution through matching gifts. Most participating companies will match employee gifts dollar for dollar. Some will even double—or triple—match a gift. Many companies also have sponsorship, foundation, or community engagement programs to inquire about.

### Donor-Advised Fund Gifts

If you support multiple organizations or you want to secure a charitable deduction now but designate beneficiaries later, a DAF may work for you. DAFs can be established with a number of entities, including community foundations, financial services companies, and sponsoring charities.

### Private Foundation Gifts

For donors who are looking to foster continued involvement in the management of the family's philanthropic legacy, establishing a private foundation can be an appealing option. Private foundations provide the highest levels of control over the administration, investment management, and distribution decisions. These vehicles can also provide opportunities for younger generations to be actively involved in carrying out their family's philanthropic mission. Private foundations require annual administration expenses, and the investment income may be subject to excise tax. Plus, the deductibility limitations for donations to private foundations are more restrictive than gifts to public charities. Initiating a private operating foundation may also be a vehicle to consider if you want to designate beneficiaries later, receive an upfront tax deduction, and would like multiple generations to be involved in your grant-making.

### Strategies for Giving

#### Donation Bunching

Donation bunching is a tax strategy that consolidates your donations for two years into a single year to maximize your itemized deduction for the year in which you make your donations. This strategy has become increasingly relevant since the Tax Cuts and Jobs Act of 2017 roughly doubled the standard deduction through 2025. This means that the standard deduction in 2023 is \$13,850 for individuals and \$27,700 for filing jointly. For most Americans, this high standard deduction means that itemization is not the best way to maximize their tax deductions. For some, it can be worthwhile to bunch their donations into a single year so they can receive a higher itemized deduction for that year and the standard deduction for the other year.

#### Offset the Tax Cost of a Roth Conversion

Consider making a charitable contribution to help offset the tax cost of a Roth conversion. One way to potentially reduce future taxes is to convert a portion of your traditional IRA or employer-sponsored retirement plan to a Roth vehicle. Contributions and earnings of traditional retirement savings vehicles are usually tax-deductible in the year they are made

and can grow tax-deferred within the account until they are taxed upon withdrawal. Roth contributions, on the other hand, are not tax-deductible, but offer tax-free growth and withdrawals subject to certain requirements. Giving to charity can be an excellent way to offset the tax cost of the Roth conversion and, as described above, you can bunch multiple years' charitable gifts into a single year to help accomplish this strategy.

### Ways to Give

#### Gifts of Assets

- Cash
- Noncash or Publicly Traded Assets
- Life Insurance
- Real Estate and Personal Property
- Donation of IRA Assets
- Bequests

#### Gifts That Protect Assets and Pay Income

- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts

#### Gifts From Other Entities

- Employee Matching
- Donor-Advised Fund Gifts
- Private Foundation Gifts

**For more information on how to make the most of your gifts, please contact your William Blair wealth advisor.**

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