



PROSPECTUS BERCO

Now is the Time to Plan your Year-End Charitable Giving Strategies

There are many ways for people to give, and depending on circumstances, there are advantages to giving through assets other than cash. Prospectus Berco is providing this information not to replace the advice of your financial advisor, but to help you evaluate the various options so you are prepared for meeting with your financial advisor and/or tax advisor.

Gift of Cash: Simple and most common is to give an out-right donation using your ordinary income or savings. If interested in gifting to ease your tax burden, then you must itemize your deductions.

Gift of Appreciated Securities held longer than a year: Taxpayers are allowed a charitable deduction generally equal to the fair market value of the security and avoid paying capital gains tax on the unrealized gain. Thus, they are potentially giving more to the charity than if they had liquidated the asset and donated the cash net of taxes. Taxpayers must itemize to claim a charitable deduction.

Qualified Charitable Distribution (QCD): For taxpayers age 70 1/2 or older, a QCD allows you to gift directly from your IRA up to \$100,000 per year to qualifying charities. QCDs are tax-free distributions and count toward satisfying your required minimum distribution (RMD). No deduction is allowed since the distribution is not taxable. This strategy is beneficial if the taxpayer will not itemize their deductions in the current year. It could also help taxpayers control their adjusted gross income (AGI) which is used to determine many tax-related limitations.

“Bunching” of Charitable Contributions: If your itemized deductions are less than the standard deduction, your charitable contributions are not deductible. Consider bunching a couple years’ worth of charitable contributions into one year. A Donor Advised Fund (DAF) is a charitable giving vehicle which can assist with “bunching” charitable contributions. Essentially donors can use the DAF to time their contributions to charities throughout several years. But please note, the contribution to a DAF is irrevocable, allowing the taxpayer to take a tax deduction in the year it is made. There are other advantages for donors to use a DAF to maximize charitable giving which are best discussed with your financial advisor.

To qualify for charitable deductions, donors must be able to substantiate all gifts. Record keeping requirements vary depending on the type of property donated and the value of the gift. It is the responsibility of the donor to get and maintain all required information.

These are a few vehicles to help you develop your giving strategies, however there are several other vehicles you may explore to help you achieve your charitable goals: such as, charitable trusts, foundations, pooled income funds, and gift annuities. See your professional advisor to discuss these options.

The easiest way to make a planned gift to a charity is simply by naming a charity like Prospectus Associates (dba Prospectus Berco) as the beneficiary of your will or estate plan, IRA, annuity, life insurance policy or employer retirement plan. A careful evaluation of these planned giving tools will help you develop a strategy to minimize tax burdens for your heirs, while also leaving a legacy gift to one or more charities that were important to you in your lifetime.

Now that you have a few basics, you’re ready to call your financial advisor to plan your giving strategies for 2020. Resources for this information obtained from Wells Fargo, Forbes, and the IRS.