

Rotary



**Club of
McLean**

SMART CHARITABLE GIFTING

*Strategies to Help both Donors and Charities
Win*

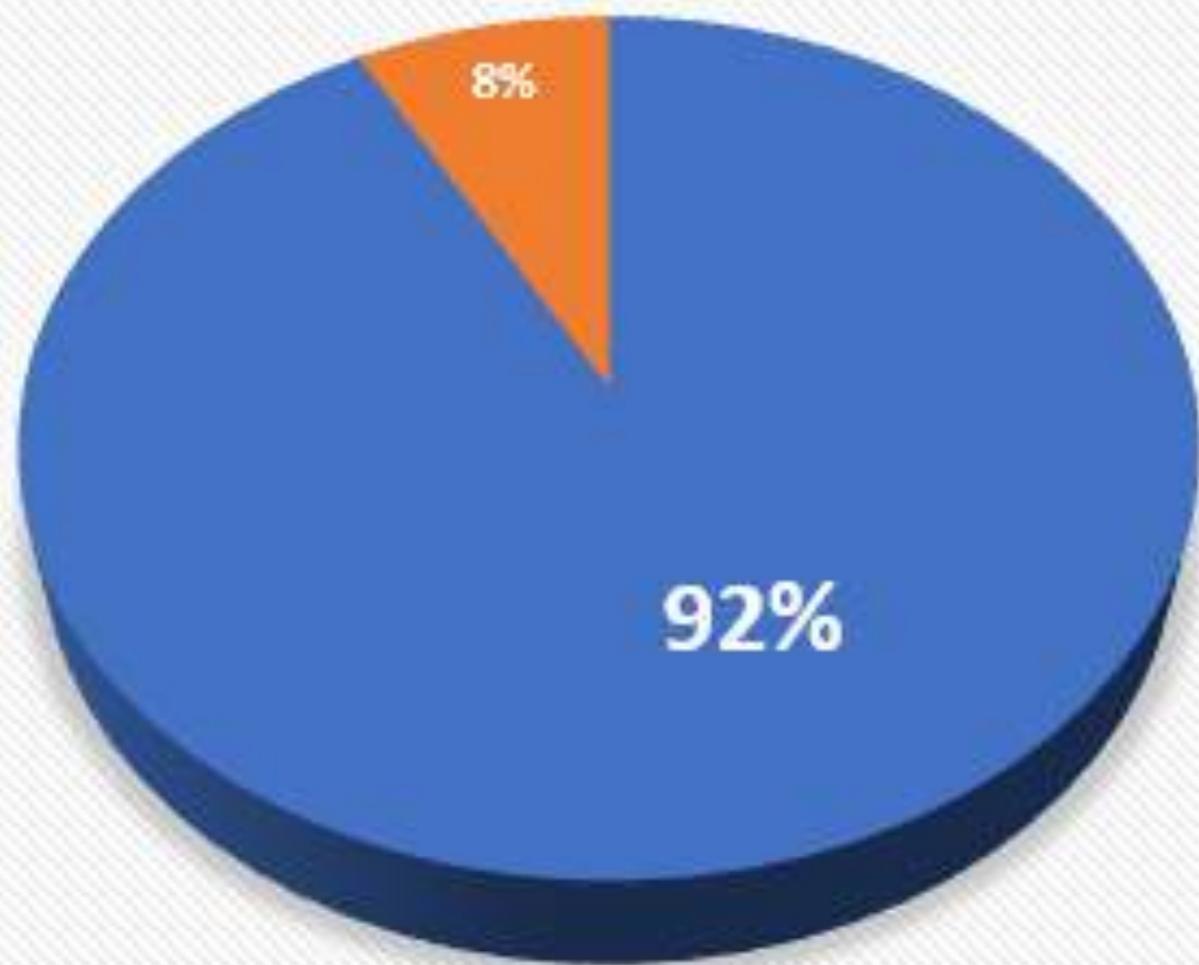
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STANDARD VS. ITEMIZED DEDUCTIONS

- ▶ For 2020, married couples' standard deduction is \$24,800. Additional if you are 65/older and/or blind
- ▶ Itemized deductions for SALT - state and local taxes are capped at \$10,000 (Personal Property, Real Estate, Income Taxes)
- ▶ For a taxpayer to itemize, they would need to have itemized deductions in excess of the standard deduction.



Taxpayers Taking Standard Deduction vs. Itemizing



■ Standard Deduction ■ Itemize

BACKGROUND

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- 2017 Tax Reform = now only ~xx% of taxpayers itemize deductions
- xx% no longer receive tax benefits for their charitable contributions

TAXPAYERS TAKING THE STANDARD DEDUCTION...

- Do not have a large mortgage.
- Do not have large medical expenses.
- Do not donate large amounts to charity.

AN EXAMPLE

- Mr. and Mrs. Smith are age 55 and earn \$400,000 per year.
- No mortgage, pay \$10,000 in real estate taxes and \$23,000 in state income taxes
- No large medical expenses
- Give \$10,000 to their favorite charities annually
- How much of their charitable contribution will they deduct?



JUDGES
*** CROWD BOOING ***

THE NUMBERS (2020)

Itemized Deduction	Amount	Amount
Real Estate Taxes	\$10,000	
State Income Taxes	<u>23,000</u>	
Total State and Local Taxes (SALT)	\$33,000	
SALT Deductions, Limited Under New Tax Law		\$10,000
Charitable Contributions		10,000
Total Itemized Deductions		\$20,000
Available Standard Deduction		\$24,800

HOW TO GET A TAX DEDUCTION

1) Donor-Advised Funds

2) Qualified Charitable Distributions

MR. & MRS. SMITH USE A DAF (2020)

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Itemized Deduction	Amount	Amount
Real Estate Taxes	\$10,000	
State Income Taxes	23,000	
Total State and Local Taxes (SALT)	\$33,000	
SALT Deductions, Limited Under New Tax Law		\$10,000
Charitable Contributions		50,000
Total Itemized Deductions		\$60,000
Available Standard Deduction		\$24,800
Itemized Deductions in Excess of the Standard Deduction		\$35,200

WHAT IS A DONOR-ADVISED FUND (DAF)?

- The Basics
 - Your Charitable Giving Investment Account
 - Ownership and Control
 - Irrevocable Contributions
 - Legacy
 - Minimums and Fees

DONOR-ADVISED FUND ADVANTAGES

- ▶ Three main advantages
 - ▶ Convenience
 - ▶ Deduction Bunching
 - ▶ Appreciated Securities

The logo for Charles Schwab, featuring the word "charles" in a white, lowercase, cursive font and "SCHWAB" in a white, uppercase, sans-serif font, both set against a blue rectangular background.

CONVENIENCE

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- Larger brokerage houses offer donor-advised funds
- Easy to open and maintain
- Simple process of making grants to Qualified Charities
- No Quid Pro Quo Contributions



DEDUCTION BUNCHING

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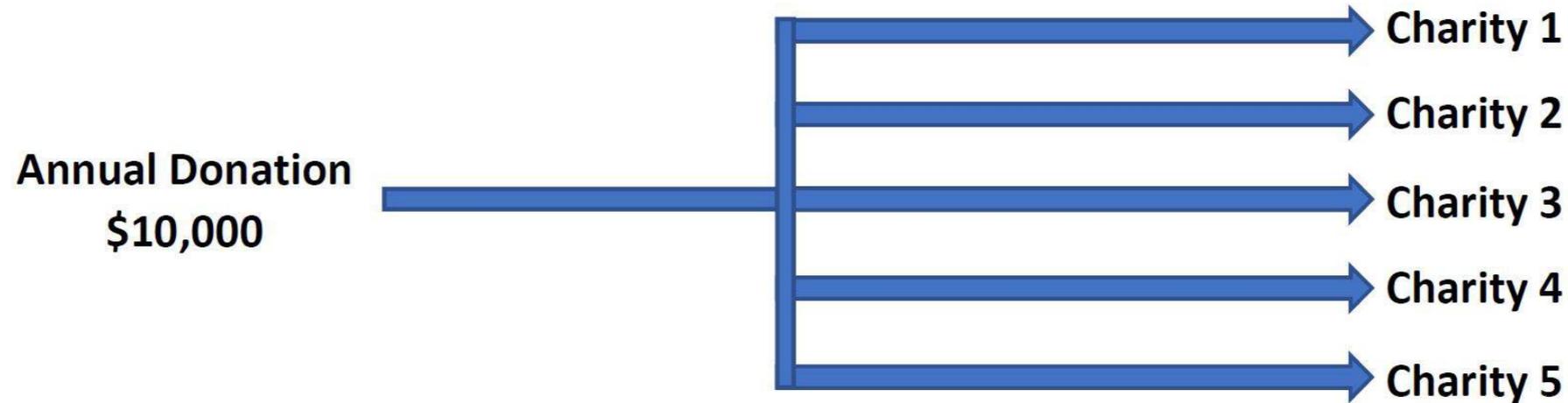
- Donors contribute multiple years' worth of donations in a single year
- Full (allowable) tax deduction in year of contribution
- Donors then allocate funds from their DAF to charities over as many years as desired
- No required annual grants



<https://gph.is/1QJ9oiy>

CASH GIFTS VS. GIFTING WITH DAF

Cash Gifts to Charity



VS.

Gifts with Donor-Advised Fund



APPRECIATED SECURITIES

- Using appreciated securities for contributions allows for added tax benefit (must be long-term holding)
- Donor escapes the capital gain associated with donated securities
- Charity receives entire market value of gift



CONTRIBUTE APPRECIATED SECURITIES

Apple Stock Sale	\$50,000
Purchase Price	500
Capital Gain - Long-Term	49,500
Taxes on Capital Gain (~30%)	\$14,850

DONOR-ADVISED FUND (DAF) SUMMARY

- The Advantages
 - Simple and Convenient
 - Bunching of Deductions
 - Appreciated Securities

STRATEGY #2

Qualified Charitable Distributions

QUALIFIED CHARITABLE DISTRIBUTIONS (QCD)

- Valuable to donors age 70.5 and older (Used to coincide with required minimum distributions)
- Write checks directly from IRA/inherited IRA
- Donated amounts are excluded from taxable income (up to \$100K per year)
- May help reduce Medicare premiums and other tax areas

Cash Gifts



Qualified Charitable Distributions Guaranteed Income Exclusions





FURTHER INFO:

**[HTTPS://WWW.GLASSMANWEALTH.COM/
CHARITABLE-GIFTING-RESOURCES/](https://www.glassmanwealth.com/charitable-gifting-resources/)**

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