

Value Added Partners

Helping clients since 1981

October 2024

“There could be no definition of a successful life that does not include service to others.”

— George H.W. Bush

One of the things that we like best about our job is having a front row seat to watch all of you work to make the world a better place. In addition to seeing how much time you contribute to various causes, it is a pleasure to observe the generous resources you contribute to organizations which make the lives of less fortunate people better, increase educational accessibility, provide cultural opportunities, and other worthy ventures.

Our tax code incentivizes these financial outlays in a variety of ways. Here are some of the means by which you can support the nonprofits about which you feel strongly:

Cash

In many ways, cash is the easiest way to aid organizations. You can make the gift up to the end of the calendar year and, if you itemize your deductions, can use your gift to help reduce your taxable income (certain limits apply).

Stocks

You can boost tax savings if you donate shares of stocks on which you have long term gains, rather than cash, because it cuts out the step of paying a capital gains tax. For example, if you donate stock on which you have doubled your \$5,000 investment to \$10,000, you can deduct the full value of \$10,000 (assuming that you have held the stock more than twelve months and that you itemize your deductions; some limits apply). This strategy of selling the stock versus giving cash, can help eliminate the realization of the gain. Because it can take several business days to transfer shares from your account to the nonprofit, we ask that you let us know if you want to do this by December 15th.

IRA Distributions

The IRS allows those who are required to pull money from retirement accounts to send up to \$100,000 from their IRAs or similar accounts to charities. These transfers help reduce the amount of reported taxable income from retirement withdrawals, which can represent quite a saving come April. Again, please let us know if you want to make these donations by early December, so we can insure that they arrive in a timely manner.

Donor Advised Funds

A Donor Advised Fund allows you to contribute to a special account and receive an immediate tax deduction for your gift (assuming that you itemize; some limits apply). You can then invest the money in a way that you control and parcel out the money to nonprofits over a long period of time. You can fund a Donor Advised Fund with cash or with appreciated stock. They can be a useful way to take a deduction in a year in which you have high income, while allowing you to make donations at a later date.

Charitable Foundations

These structures also enable you to create a pool of money for future donations with one or more lump sums. These entities have a fair degree of complexity and, as a result, can be costly to create and maintain. However, for a family which wants to create a significant philanthropic legacy, it can be an attractive alternative.

This is hardly an exhaustive list of the ways in which you can support your favorite nonprofits, nor is it a complete list of the pros and cons of the various ways that you can make charitable gifts. Please feel free to call us for a more thorough discussion of your philanthropic plans and how we might help. We are happy to coordinate with your tax advisor and you to devise a strategy. If you are contributing by donating appreciated stocks, we can identify your holdings with the largest gains. If you are contemplating the creation of a Donor Advised Fund, we can help you find a provider. Regardless, thank you in advance for helping our community and for making our work that much more rewarding.

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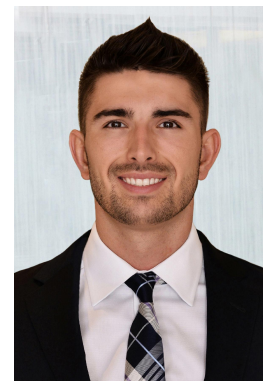
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We look forward to hearing from you.

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