Langley's Latest

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Fall 2021 Reissue – Year-End Planned Giving Strategies to Maximize Support of LRSS

By LRSS Board Member Doug Tees

When we think about giving to our favorite organization, we want our contribution to go as far as it can and imagine it making an impact for the organization and the people it serves. Most of us don't have saving money on taxes at the top of the list of why we give, but paying attention to the tax implications can help us give more to the organizations we care about. With that in mind, here are three year-end strategies to optimize charitable contributions and minimize taxes at the same time.

First, if you don't itemize deductions on your tax return or just barely meet the threshold to itemize due to your charitable gifts, you may want to consider a Donor Advised Fund (DAF). A DAF allows you to contribute two or more years' worth of charitable contributions in a single tax year, take the itemized deduction in that year (and the standard in the following years), and still control the flow of the charitable contributions over the subsequent years.

Here's a simplified DAF example: If you are married filing jointly and have State and Local Taxes (SALT) at the maximum $10,000 per year and give another $10,000 each year in charitable contributions, you would take the standard deduction of $25,100 (in 2021). If, however, you contributed three years of charitable contributions to a DAF in 2021, you would be able to deduct $40,000 in 2021, still take the standard deduction in the subsequent years, and continue to give $10,000 per year to the charities of your choice. At the 24 percent tax rate, that is $3,576 in tax savings!

Second, give appreciated assets instead of cash. We have been on a long positive run in the markets (with a short pull back in March 2020 due to Covid). This long bull market has benefited many who have chosen well – or just been lucky – in the stock market. If you are among this fortunate group, you can consider giving highly appreciated assets directly to an organization you support.

Here's a simplified appreciated stock donation example: You purchased $1,000 in stock that is now worth $10,000. If you sell the stock, you will have capital gains tax to pay on the $9,000 in growth and would be left with $8,650 to give (or possibly even less depending on your income and state and/or Medicare taxes). If, however, you gifted the stock directly to the organization, they would receive the full $10,000, and you would be able to deduct the full $10,000—a win-win!

Of course, everyone's situation is different, so please consult your financial advisor and/or tax professional for advice specific to your situation. These are just a few of the strategies available to help you stretch funds to support the organizations and causes that are most important to you. Thank you for making a difference!

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