A Note From Your Advisors

BAIRD

THE MAIN, GOWIN, FISCHER, RICE GROUP

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We are approaching year end, so let's talk about charitable giving! Although our advisory work for clients centers around the accumulation and management of wealth, another key part of our advice involves how to give assets away most effectively. What are the causes and charities you care about? What are the most effective ways you can provide one-time or lasting financial support? Here are a handful of potential strategies we have recommended to various clients, each of which can supplement or go beyond just writing a check:

- Donate appreciated securities instead of cash – If you have securities which you've owned for a long time and/or which have appreciated in value, it may be painful to sell them because doing so would trigger large capital gains tax consequences. Consider donating those stock or mutual fund shares directly to the charity. If you are itemizing deductions, you should receive a tax deduction for the market value of the donation*; and unlike you the charity can sell the securities and pay no taxes on the resulting gain.
- Donate from your IRA – If you are over the age of 72, consider making a charitable donation directly from your IRA as part of your Required Minimum Distribution (RMD). This kind of gift is known as a Qualified Charitable Contribution (QCD) and can provide tax advantages even if you don't itemize deductions on your taxes* because the amount you donate avoids being taxed as a distribution.
- Leave IRA funds to a charity – IRA, 401k, and annuity accounts let the owner list one or more beneficiaries – who gets the money when you pass away. Individual beneficiaries such as spouses or children will have to pay income tax on those proceeds when withdrawn (unless the funds are coming from a Roth IRA/401k). However, naming a charity as a beneficiary can avoid income tax on that portion of the proceeds, as charities are generally tax exempt. If you plan to leave a charitable bequest in your will, you should consider this approach instead.
- Charitable Trust Giving – Although they are not as common as some of the above strategies, specific types of charitable trusts are powerful tools which offer several significant benefits in the right situation. For example, in the case of a Charitable Remainder Trust, a highly appreciated asset can be donated into a trust, sold with no capital gain tax, and the assets repositioned to provide a lifetime income stream back to the donor. The gift is irrevocable, and then at death of the donor the remaining asset value is donated to one or more charities.
- Donor Advised Fund – You can donate appreciated stock or other assets into a donor advised fund, which is administered by an outside manager. You can then "advise" the outside manager to donate whatever amount you wish to any qualifying charity, at any time. There is no need to define at setup the charities which will eventually receive gifts, and contributions can be made at your discretion; so flexibility is maintained. This process can be spread out over many years, effectively creating your own family foundation for ongoing or even multi-generational charitable giving. This strategy is also very useful to "bundle" multiple years of planned giving together into one tax year, which can help exceed the standard deduction threshold.

We want your charitable impact to be as meaningful as possible, while helping you realize the most efficient approach and greatest tax benefit too. Give us a call to discuss your hopes and dreams!

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Note *: Baird does not offer tax advice. Please seek the guidance of your CPA or personal tax advisor for information about itemized deductions or other related issues