



New Year, New Strategies for Better Giving and Philanthropy

January 2022



A common question our team receives frequently is, “How can I increase the impact of my charitable gifts?”

First, intentionality is one key aspect of this. Are you thoughtfully aligning all/most of your giving to organizations and areas of focus that are most important to you and your family? You are probably giving more money each year than you may think you are; many of us find lots of small gifts that are in response to requests from people you know and care about. Ask yourself, “What if I totaled the dollar amount of all of those small gifts in 2021 and then decided to make a few larger gifts to causes and organizations I am passionate about in 2022?” Then all (ok most!) other requests received a response of “our family has already allocated our 2022 giving priorities and budget.”

Another way to provide impact could be to give to smaller organizations with local, regional service models. You may want to consider what is more important to you: a larger impact for a few individuals or a smaller impact for a larger number of people. There isn't a right or wrong answer to that topic but one you might want to consider; deciding that aligns the strategy to the way you think about impact. You may also want to consider a strategy like a collective giving foundation so that you can pool your contribution with others and therefore create a larger impact. In our local area, you can check out Impact Austin, the Women's Fund at the Austin Community Foundation and Impact San Antonio. These organizations can also provide education around how to make grants, how to evaluate community needs and how to think about which organizations are best serving their community as it relates to your focus and purpose.

Secondly, how you give can increase your impact. Giving in a tax aware method may allow you to increase the value of your gift to the non-profit. If you are writing out a check to a non-profit, you will be

using after tax dollars and generally receiving tax deductibility (assuming you itemize) which is limited up to about 50% of your Adjusted Gross Income (AGI). Let's look at some common ways to give:

○ Donor Advised Funds (DAF) are good solutions for those who are charitably inclined but are not sure when and to whom they want to donate. By placing irrevocable contributions into a DAF, the donor receives the tax deduction this year and the value can be invested to grow for future designated giving when ready. This can be a good strategy for every other year giving (bunching) so that the donor can take the standard deduction one year, and an itemized deduction the next year. There may be some restrictions to this type of giving.

○ Giving the gift of appreciated stocks, mutual funds or ETFs. Given many positive years in the stock market, chances are if you have own stocks, mutual funds or ETFs, they have appreciated in value. If you sell those holdings, you will pay capital gains taxes. If you donate those shares directly without selling them to a 501 (c) 3, the organization gets the "fair market value" (FMV) of that asset and you get the FMV for consideration as a deductible contribution to charity. Generally, you will be limited to 30% of your AGI in this year but you can carry forward the excess amount for five years.

○ If you are age 70 1/2 or older you may designate IRA assets to be sent directly to a 501 (c) 3 organization without tax consequences. Remember that your IRA assets have not been taxed so any distributions are taxed at ordinary income unless donated to a charity. In addition, if you are age 72 or older and have Required Minimum Distributions (RMD) and you do not need that income, you can use some or all of your RMD up to \$100,000/year as a **Qualified Charitable Distribution (QCD)**. In this strategy, you do not have to pay taxes on the RMD for that portion that is a QCD. Again, the charity receives the full value of that contribution rather than the after-tax contribution you might make to them directly if took the distribution from your IRA and then send them a check.

○ If you have appreciated holdings and you would like to irrevocably place them in a **Charitable Remainder Trust (CRT)**, you could serve as the income beneficiary for your lifetime and at your passing, those assets will be transferred to the beneficiary charity(ies) of your choice.

○ Very charitable individuals may also find that the maintenance and expense of establishing a **family foundation** may be a good strategy for those making very large gifts over time or generations.

In summary, without increase the amount you give, you can increase the impact of your gift through both intentional planning as well as the structure and asset location of your giving. If you would like to discuss this further, please reach and I would be happy to discuss: spalombo@rwbaird.com, 713.296.8061. Wishing you an impactful 2022!

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