Are your philanthropic gifting strategies still up to date?

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There have been changes to IRS regulations over the last few years that have, in some instances, expanded how an individual may want to consider carrying out charitable giving. If you are making charitable contributions, now is a good time to re-examine the tax benefits of doing so, and if the gifting strategies you are utilizing are best for you.

There are several ways in which you can achieve your charitable objectives. Below are a few examples of strategies and the benefits of each:

Lifetime transfers of highly appreciated stock:

- Allows for an immediate income tax deduction.
- Avoidance of capital gain realization.
- Does not cause any disruption to cash/liquidity on hand.

Qualified Charitable Distributions:

- If you are 70 ½ or older, this strategy allows a direct transfer of funds from your IRA to a qualified public charity.
- This distribution results in NO realization of income and can be used to satisfy your required distribution amount (up to $105,000).
- Beginning in 2025, the allowable amount ($108,000) will be indexed for inflation.

Donor Advised Fund (DAF):

- Separate investment vehicle from which grants can be made to any 501(c)(3) organization.
- Gift highly appreciated stock, cash, and, depending on the platform, other assets to a DAF. The transfer of assets results in an immediate income tax deduction.
- Proceeds of the sale are reinvested among a diversified portfolio.
- DAF is a pool of investments from which to make future charitable distribution.
- Consider funding in years when income is higher.
- Less complexity than establishing a foundation.
- No filing requirement.
- No tax preparation required.
- No "board minutes."
- No minimum distribution requirements (varies from plan sponsor.)

The above are some "simplistic" ways to meet your charitable obligations and have a significant income tax benefit.

Additional strategies

A few additional strategies that can be incorporated into a broader estate plan can be found below.

- A Charitable Remainder Unitrust (CRUT) is an irrevocable trust that provides a lifetime income benefit to the donor. The funding of this trust results in an immediate income tax deduction based on the remainder value for the named charity, donor advised fund or foundation. Funding the trust with highly appreciated stock allows for the avoidance of capital gains and enables the trust to further invest the proceeds in a diversified manner.
- In addition to lifetime gifting opportunities, if one desires to bequeath assets to a charity upon one's passing, consider doing so directly from retirement assets. When heirs inherit retirement assets, there are income tax consequences as funds are distributed. Based on the accelerated time that non-spousal beneficiaries need to distribute these assets (over ten years or less, depending), allocating charitable bequests to be satisfied by retirement assets would reduce income taxes for the heirs and allow them to receive more of the nonretirement assets, which will likely not have as large of an income tax burden.

All balance sheets, objectives, and families are different. So, it is best to speak with a Mesirow Wealth Advisor and counsel to discuss further what may work best given the specific circumstances.

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