



## SmithConway

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Year's End can seem like a whirlwind. We hope these articles will assist you in your giving, year end planning, and tips for online shopping. Please let us know if we can assist you with any financial needs this holiday season.

**Happy Holidays!**

**From all of us at SmithConway!**

### Joyful Giving & Wise Spending

The Giving Season: Six Tips for Making Smart and Effective Charitable Donations This Holiday Season

Are You Ending 2016 Healthy, Wealthy, and Wise?

How can technology help me manage my money?

What should I know before doing my holiday shopping online?



# Joyful Giving & Wise Spending

## *Are Your Finances Healthy, Wealthy, and Wise?*

### Substantiating Your Charitable Gifts



When you claim a federal income tax deduction for charitable contributions, you must substantiate the contributions by maintaining certain records. The records must establish the charity to whom the gift was made, the

amount of cash or the type and value of other property donated to charity, whether anything was received in consideration for the contribution, and certain other requirements. The records needed generally depend on the type and value of the property donated; there may be some overlap in requirements. In general, do not attach the records to your income tax return. Keep the records so that you can provide them to the IRS if requested to do so.

#### Cash contributions

In order to claim a charitable deduction for any contribution of cash, a check, or other monetary gift, you must maintain a record of such contributions through a bank record (such as a cancelled check, a bank or credit union statement, or a credit card statement) or a written communication (such as a receipt or letter) from the charity showing the name of the charity, the date of the contribution, and the amount of the contribution. If you make charitable contributions through payroll deductions, you generally may substantiate the charitable deduction using the charity's pledge card along with either a pay stub, a Form W-2, or some other employer-furnished document showing the amount withheld and paid to charity. If you make a single contribution of \$250 or more by payroll deduction, the pledge card or a document from the charity must state that no goods or services were provided in return for the payroll deduction.

#### All contributions of \$250 or more

If you claim a charitable deduction for any contribution of \$250 or more, you must substantiate the contribution with a contemporaneous written acknowledgment of the contribution from the charity. The acknowledgment must contain the name of the charity, the amount of any cash contribution,

and a reasonably detailed description of any non-cash contribution. The acknowledgment must also include either (1) a statement that no goods and services were provided by the charity in return for the contribution, (2) a good-faith estimate of the value of such goods and services (these reduce the amount of the charitable deduction), or (3) a statement that the goods and services were token benefits or consisted entirely of insubstantial membership benefits or intangible religious benefits. The acknowledgment is considered contemporaneous if you receive it by the earlier of the date on which you file your tax return for the year of the contribution or the due date (including extensions) for the return.

#### Noncash contributions

If you make any noncash contributions, you must generally get a receipt from the charitable organization with the name of the charitable organization, the date and location of the contribution, and a reasonably detailed description of the property. You must also keep a reliable written record showing the name and address of the charitable organization, the date and location of the contribution, a reasonable detailed description of the property, the fair market value of the property (and how it was determined), the adjusted basis of the property, the amount claimed as a deduction, and the terms of any conditions attached to contribution of the property.

If the value of the contribution is \$250 or more, you must also substantiate the contribution with a contemporaneous written acknowledgment of the contribution from the charity as described previously.

If the value of the contribution is over \$500, your records must also include how you got the property (e.g., purchase, gift, inheritance, or exchange), when you got the property, and the cost or other basis of the property (including any adjustments).

If you claim a deduction of over \$5,000 for a noncash charitable contribution of one item or a group of similar items, you must also obtain a qualified written appraisal of the donated property from a qualified appraiser.

## The Giving Season: Six Tips for Making Smart and Effective Charitable Donations This Holiday Season



Many charitable organizations allow you to donate online, by text, or through social networking sites.

The following organizations and agencies publish reports and charity ratings, and/or give useful tips and information to consumers on how to donate and choose a charity:

- Better Business Bureau's BBB Wise Giving Alliance, [bbb.org](http://bbb.org)
- Charity Navigator, [charitynavigator.org](http://charitynavigator.org)
- CharityWatch, [charitywatch.org](http://charitywatch.org)
- Federal Trade Commission, [ftc.gov](http://ftc.gov)

The holidays are a popular time for charitable donations. With so many charities to choose from, it's more important than ever to ensure that your donation is well spent. Here are six tips that can help you make smart and effective charitable donations.

### 1. Choose your charities wisely

Choosing worthy organizations that support the causes you care about can be tricky, but it doesn't have to be time-consuming. There are several well-known organizations that rate and review charities, as well as provide useful tips and information on how to donate and choose a charity (see sidebar). To get started, here are some things to consider:

- *How the charity plans to use your gift.* Contact the charity by phone or go online to find information about the charity's mission, accomplishments, financial status, and future growth.
- *How much the charity spends on administrative costs.* If a charity has higher-than-average administrative costs, it may be spending less on programs and services than it should. This could also be a sign that the charity is in serious financial trouble. In addition, if a charity uses for-profit telemarketers, then it may get very little of the money it raises, so ask how much of your donation the charity will actually receive.
- *The legitimacy of the charity.* Take the time to check out the charity before you donate. Ask for identification when approached by a solicitor, and never give out your Social Security number, credit-card number, bank account number, account password, or personal information over the phone or in response to an email you didn't initiate.
- *How much you can afford to give to the charity.* Stick to your giving goals and only give what you can afford. Legitimate fundraisers will not try to pressure you and will be happy to send information that can help you make an informed decision regarding your donation.

### 2. Maximize your donation through a matching gift

If your employer offers a program that matches charitable gifts made by employees, you can maximize your charitable donations. Some matching gift programs may have specific guidelines — for example, they may only match a gift up to a certain dollar limit, and the charity may need to provide additional information.

### 3. Make automatic donations

If you're looking for an easy way to donate regularly to a favorite charity, consider making automatic donations from a financial account. Automatic donations can benefit charities by potentially lowering fundraising costs and by establishing a foundation of regular donors. You'll also benefit, since spreading your donations throughout the year may enable you to give more and simplify your record keeping.

### 4. Look for alternatives to cash donations

Although cash donations are always welcome, charities also encourage other types of gifts. For example, if you meet certain requirements, you may be able to give stock, direct gifts from your IRA, real estate, or personal property. Keep in mind that you'll want to check with your financial professional to assess potential income and estate tax consequences based on your individual circumstances. Other alternatives to cash donations include volunteering your time and using your talents to improve the lives of others in your community.

### 5. Consider estate planning strategies when gifting

Another option is to utilize estate planning to make a charitable gift. For example, you might leave a bequest in your will; give life insurance; or use a charitable gift annuity, charitable remainder annuity trust, or charitable unitrust that may help you give away the asset now, while retaining a lifetime interest. Check with your financial or tax professional regarding any potential estate or tax benefits or consequences before making this type of gift.

### 6. Remember the importance of record keeping

If you itemize when you file your taxes, you can deduct donations you've made to a tax-qualified charity — however, you must provide proper documentation of your donation to the IRS. Keep copies of cancelled checks, bank statements, credit-card statements, or receipts showing the charity's name, date of your donation, and contribution amount. For donations or contributions of \$250 or more, you'll need a detailed written acknowledgment from the charity. For more information and a list of specific record-keeping requirements, see IRS Publication 526, Charitable Contributions.

## Are You Ending 2016 Healthy, Wealthy, and Wise?



*\*All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.*

Although the year is drawing to a close, you still have time to review your finances. Pausing to reflect on the financial progress you made in 2016 and identifying adjustments for 2017 can help you start the new year stronger than ever.

### How healthy are your finances?

Think of a year-end review as an annual physical for your money. Here are some questions to ask that will help assess your financial fitness.

- Do you know how you spent your money in 2016? Did you make any progress toward your financial goals? Look for spending habits (such as eating out too much) that need tweaking, and make necessary adjustments to your budget.
- Are you comfortable with the amount of debt that you have? Any end-of-year mortgage, credit card, and loan statements will spell out the amount of debt you still owe and how much you've been able to pay off this year.
- How is your credit? Having a positive credit history may help you get better interest rates when you apply for credit, potentially saving you money over the long term. Check your credit report at least once a year by requesting your free annual copy through the federally authorized website [annualcreditreport.com](http://annualcreditreport.com).
- Do you have an emergency savings account? Generally, you should aim to set aside at least three to six months' worth of living expenses. Having this money can help you avoid piling up more credit-card debt or shortchanging your retirement or college savings because of an unexpected event such as job loss or illness.
- Do you have an adequate amount of insurance? Your insurance needs may change over time, so it's a good idea to review your coverage at least once a year to make sure it still meets your needs.

### How wealthy are you really?

It's easy to put your retirement savings on autopilot, especially if you're making automatic contributions to a retirement account. But market swings this year may have affected your retirement account balances, so review any statements you've received. How have your investments performed in comparison to general market conditions, against industry benchmarks, and in relation to your expectations and needs? Do you need to make any adjustments based on your own circumstances, your tolerance for risk, or because of market conditions\*\*?

Finally, look for ways to save more. For example, if you receive a pay increase this year, don't overlook the opportunity to increase your employer-sponsored retirement plan contributions. Ask your employer to set aside a higher percentage of your salary.

### How wise are you about financial matters?

What you don't know can hurt you, so it's time to honestly assess your financial picture. Taking into account your income, savings and investments, and debt load, did your finances improve this year? If not, what can you do differently in 2017?

What are your greatest financial concerns? Do you have certain life events coming up that you need to prepare for, such as marriage, buying a home, or sending your child off to college? You can't know everything, so don't put off asking for assistance. It's a wise move that can help you prepare for next year's financial challenges.

### Year-End Financial Checklist

- Review your benefits during your employer's open enrollment season, and make any necessary changes before your employer's deadline.
  - Use up any contributions to your flexible spending account (FSA) before the use-it-or-lose-it deadline (this may be the end of the year—check with your employer).
  - Update estate planning documents such as wills, trusts, and health-care directives to account for life changes.
  - Review and update beneficiaries for your financial accounts and insurance policies.
  - Make year-end donations to charity. If you itemize, these may help reduce your taxable income for 2016.\*
  - Consider gifts to family members. For 2016, you may give up to \$14,000 to each individual without owing gift taxes.\*
  - Begin organizing your financial records for tax time.
  - Check your Social Security Statement at [ssa.gov](http://ssa.gov) to find out about future benefits.
- \*Talk to a tax professional for help with your individual situation.

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## How can technology help me manage my money?

It may seem that there's an app or software program for every purpose, and that includes managing your money. Here are some examples where technology may be useful in helping you get a handle on your money.

**Creating a budget:** There are multiple apps available that enable you to input your monthly income and expenses to generate a budget that fits your needs. Plus, some programs are able to categorize and track transactions, which could help you see exactly how much you spend in certain areas on a month-to-month basis.

**Setting reminders:** Do you occasionally forget to pay a particular bill? Or are you looking for a regular reminder to keep an eye on your account balances? Look for an app that lets you schedule reminders that suit your needs, whether it's an alarm that goes off for monthly bills or a service that automates payments you might otherwise forget to make.

**Digitizing services:** You're probably aware of your bank's direct-deposit services, but did you know that you can send payments, request

refunds, and view transaction history using your bank's mobile app? You can also find apps that feature calculators designed to help you make investment decisions, as well as determine your net worth, calculate the time value of your money, and estimate your insurance needs, among other things.

**Shopping (and saving):** Some apps are designed specifically to help you save money in a variety of ways, from searching for the best local deals to calculating the cost of driving from point A to point B. If you'd like to dial back your spending, look for an app that can help you cut costs. For example, apps can compare the cost of groceries at one store against another, or help you find the lowest gas prices in your area. That way, you can put the extra money you have from being a savvy shopper toward a long-term goal, such as retirement.

With some exploration, you may find additional money-related apps. But bear in mind that even though many apps and services promise security, technology isn't always reliable, and you could fall victim to hackers. Think carefully before you provide information pertaining to your bank account and income/spending history.



## What should I know before doing my holiday shopping online?

In order to skip the lines and traffic, many people opt to shop online for gifts during the holiday season. Unfortunately, hackers often target online shoppers to steal their personal information. Before you click, you might consider these tips for a safer online shopping experience.

**Research websites before you shop.** When shopping online, make sure you navigate only to reputable sites. You can research sites before you shop by reading reviews from previous customers.

**Choose passwords carefully.** Create a strong password if you order through an online account, and use different passwords when you shop on various websites. Follow password guidelines such as using a combination of letters, numbers, and capital letters or random phrases.

**Be careful how you connect.** Look for *https://* in the URL and not just *http://*, since the "s" indicates a secure connection. Avoid public Wi-Fi networks when shopping online, as they often lack secure connections.

**Search with purpose.** Typing one word into a search engine to reach a particular website is easy, but it sometimes isn't enough to reach the site you are actually looking for. Scam websites may contain URLs that look like misspelled brand or store names to trick online shoppers. You can also use a specialty search engine (e.g., one designed for clothing retailers or toy manufacturers) for optimal search results that will lead you to a reputable site.

**Pay by credit card.** Credit-card payments can be withheld if there is a dispute, but debit cards are typically debited quickly. Credit cards generally have better protection than debit cards against fraudulent charges.

**Watch out for phishing and package delivery emails.** Beware of emails containing links or asking for personal information. Legitimate shopping websites will never email you and randomly ask for your personal information. In addition, be aware of fake emails disguised as package delivery emails. Make sure that all delivery emails are from reputable delivery companies you recognize.