



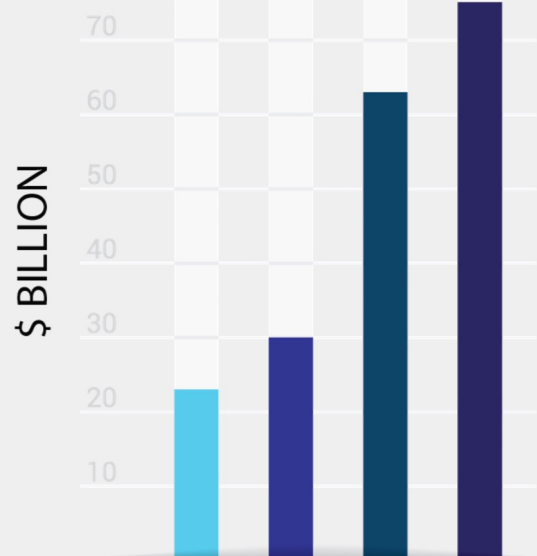
# Charitable Giving Opportunities & Tax-Efficient Transfer Strategies



November 28, 2023

## ➤ Avantax Today

**\$80+ billion**  
in total client assets\*

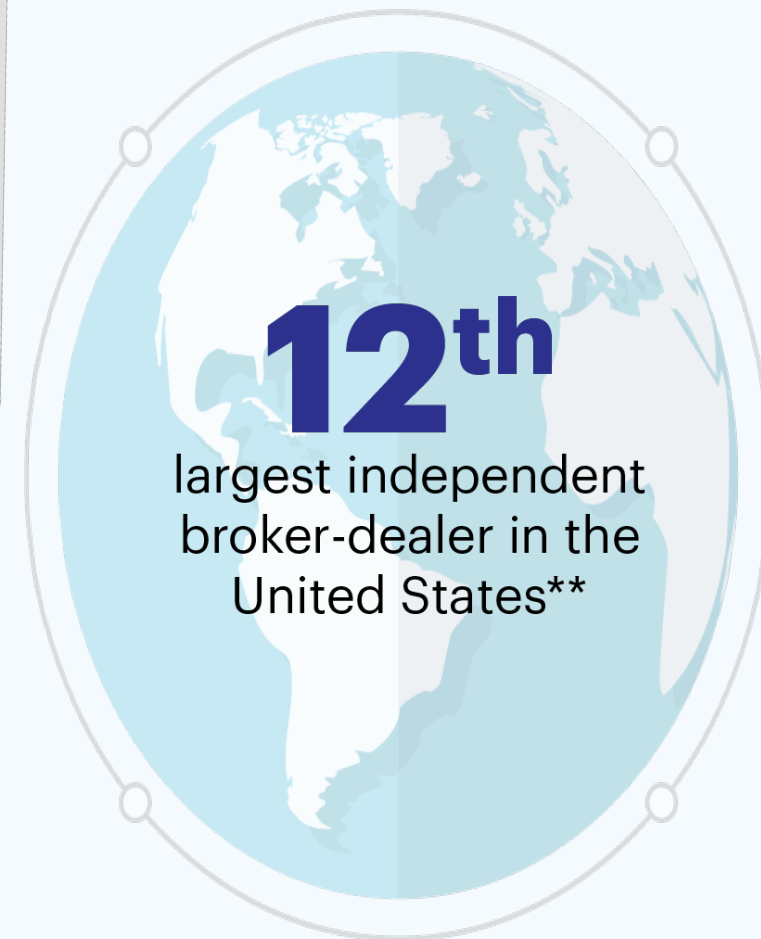


\*AUM as of March 31, 2023

\*\*According to Financial Advisor magazine's 2023 rankings



**3,100+**  
independent financial  
professionals



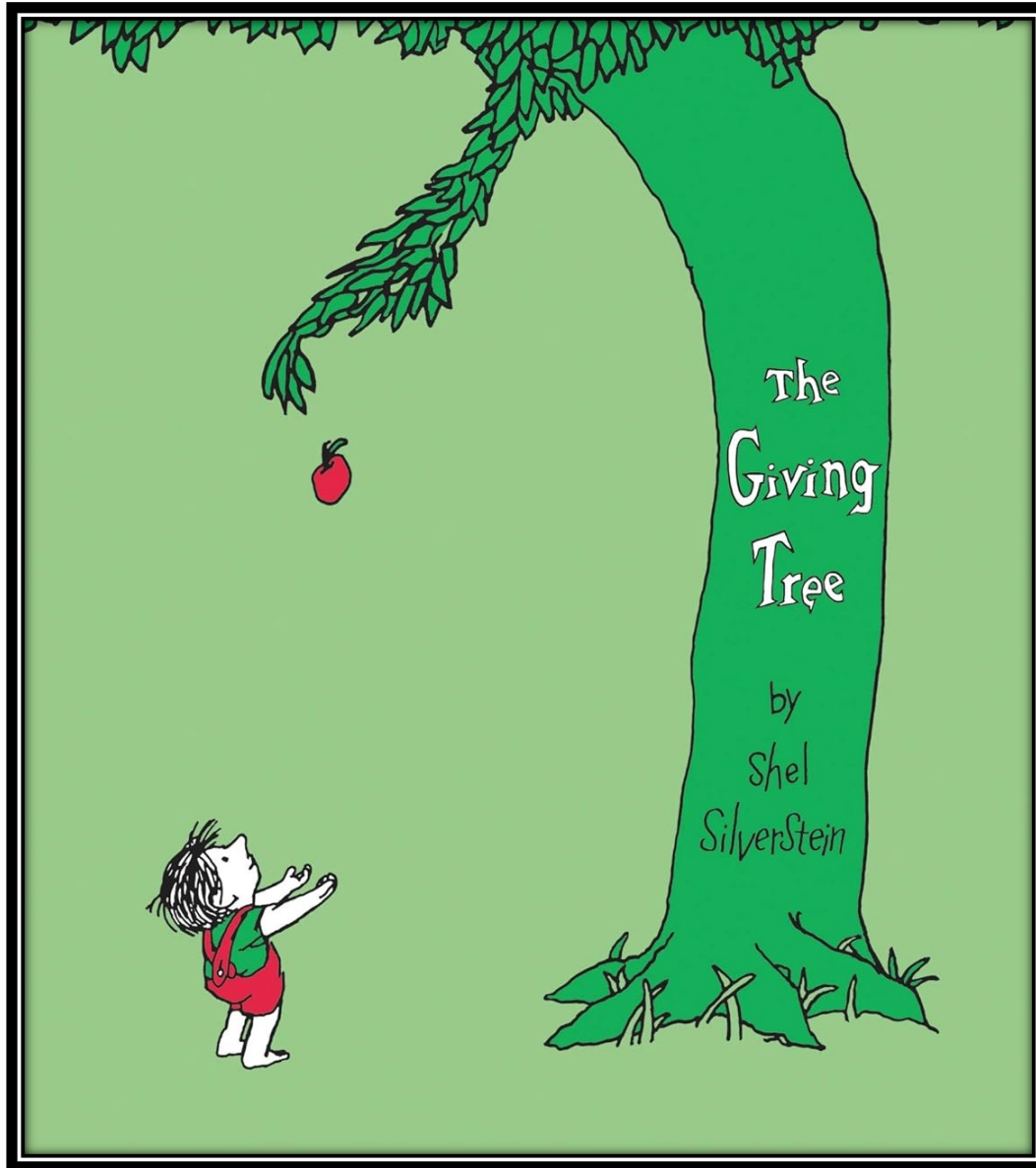


Blake Schneider



Barry A. Holt





# The Giving Tree

by Shel Silverstein

credit: shelsilverstein.com

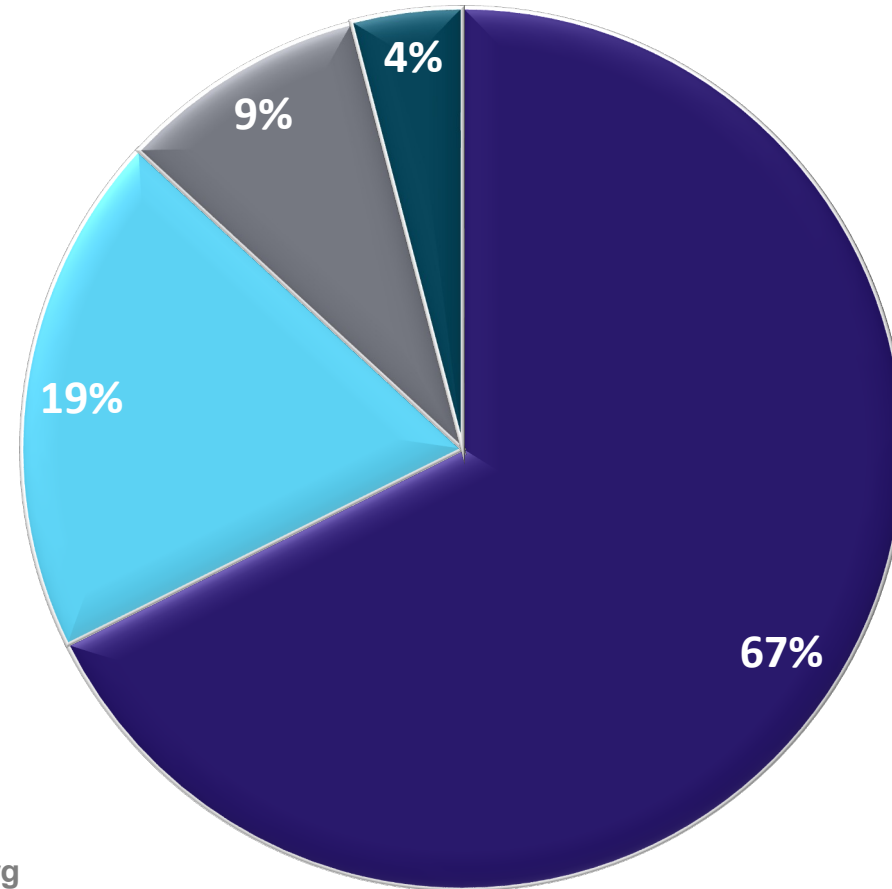


# ***philanthropy***

noun

actions to promote the welfare of others,  
commonly expressed by the donation of  
assets to charitable causes.

➤ **\$499 BILLION**



■ INDIVIDUALS

■ FOUNDATIONS

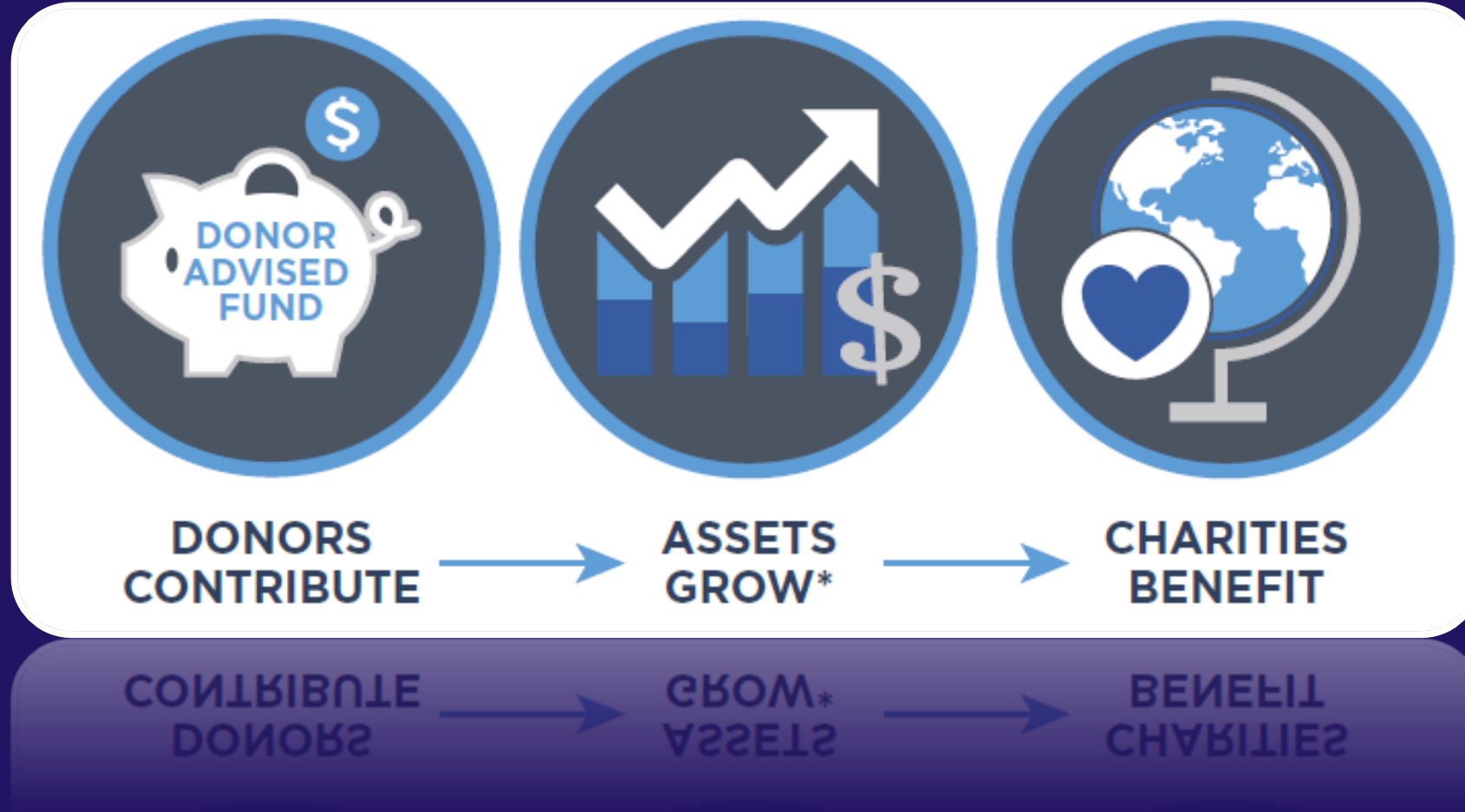
■ BEQUEST

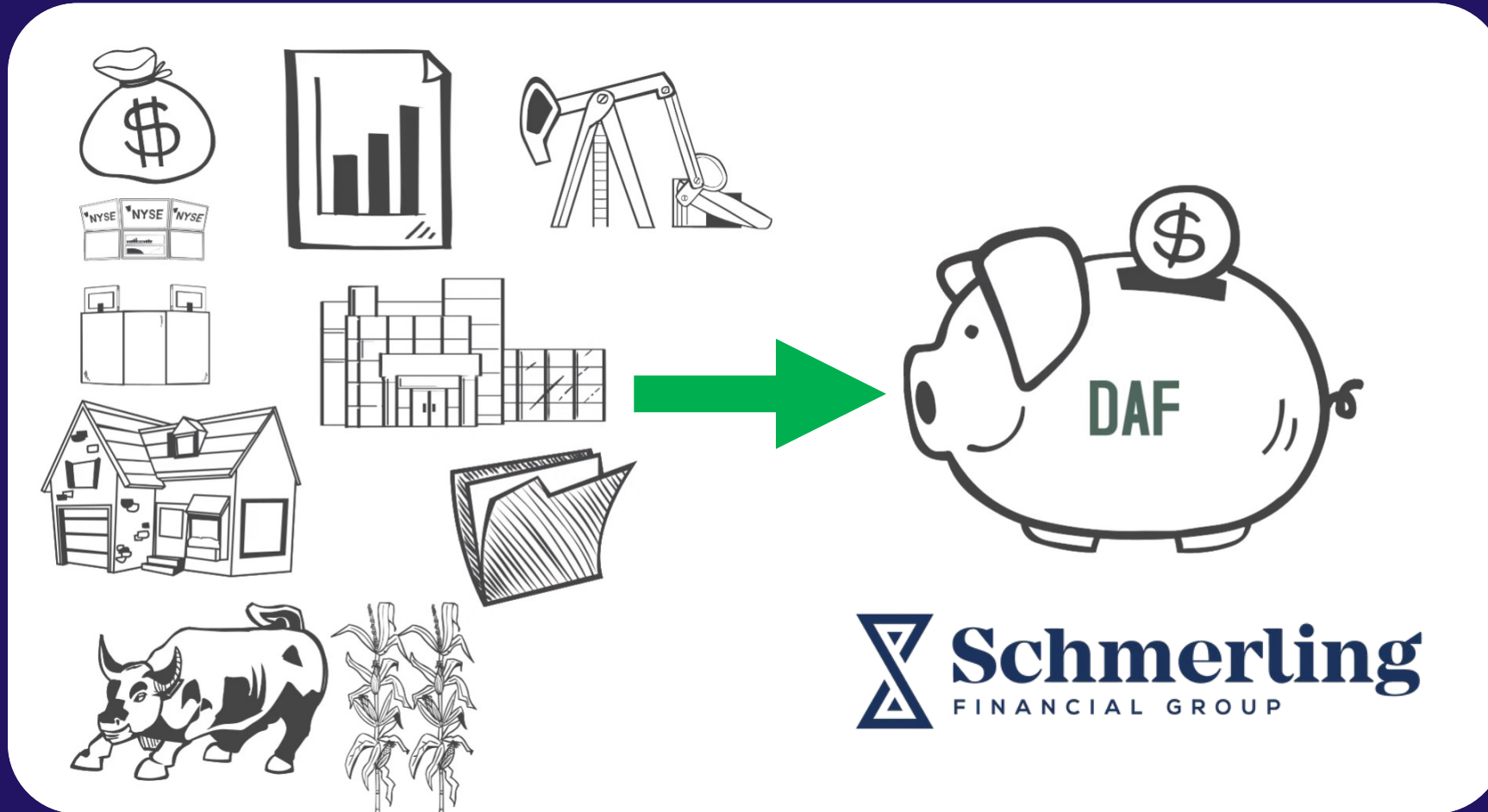
■ CORPORATIONS

for the year 2022

Source: GivingUSA.org

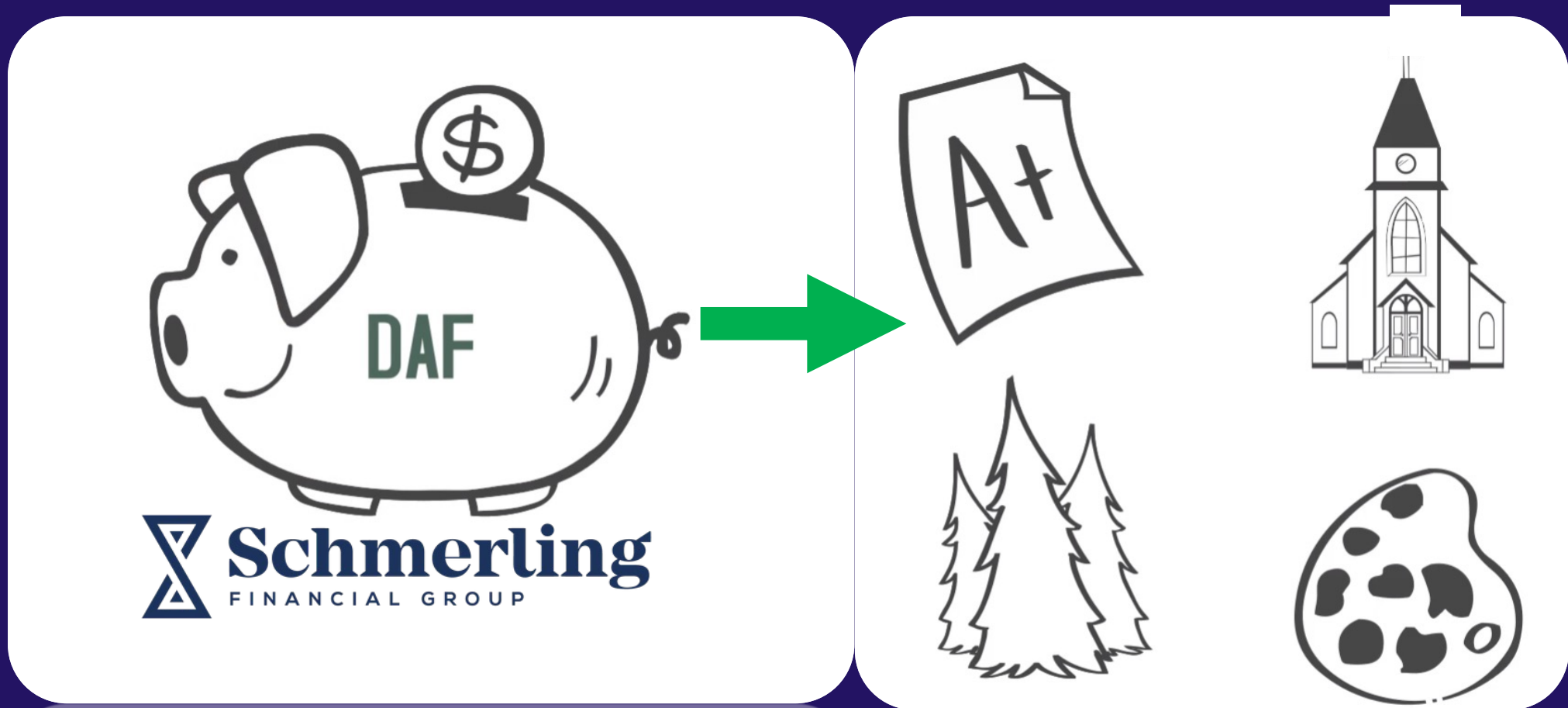
# *Donor Advised Fund*







# Goal of investing donated assets?



*Growth! For even greater giving potential!*

# ➤ Donor-Advised Fund (or “DAF”)

## What is a DAF? Charitable Investment Account.

### Advantages

- ❖ Immediate income tax deduction
  - ❖ Five Year Carry Forward for unused deductions
- ❖ Avoid capital gains tax on appreciated assets
- ❖ Removal from Estate
- ❖ Tax-free growth
- ❖ Timing flexibility
- ❖ Privacy
- ❖ Succession Opportunities
- ❖ Lower Costs
- ❖ Schmerling Financial Group

### Disadvantages

- ❖ Donations are irrevocable
- ❖ Grant recipients must be public charities
- ❖ Initial minimums are typically \$25,000

## ➤ Donor-Advised Fund versus Private Foundation

Feature	Donor-Advised Fund	Private Foundation
Valuation of Securities	Fair Market Value	Cost Basis
Income tax deduction - % of Adjusted Gross Income (with 5-year carryover)	<b>60% for cash, 30% for other assets</b>	30% for cash, 20% for appreciated assets
Set-up process	<b>Established in a day</b>	Time consuming. Requires IRS approval, too.
Expense	<b>No setup fees &amp; low administrative fees.</b>	Costly, requires legal counsel
Annual distribution requirement	<b>None</b>	5% of endowment value
Preparation of tax returns, IRS compliance, accounting, fiduciary oversight, legal and audit	<b>DAF sponsors provide</b>	Must arrange
Excise Tax on investment income	<b>No</b>	Yes, 1-2% income and gains
Confidentiality	<b>Donors choose recognition or anonymity</b>	None, all information is publicly available (990 filing)

**Bunching is the simple process of contributing more in a single year, rather than spreading contributions out.**

This allows you to maximize itemized tax deductions, when you might normally not be able to.

This has become more common with the standard deduction being higher now, than in the past! Many who used to itemize, now take the standard deduction.

By contributing more to charity now, you may be able to take a larger itemized deduction.

	Option 1: Take the standard deduction			Option 2: Tax-smart approach: bunch giving	
Tax year	2022	2023		2022	2023
Charitable deductions	\$10,000	\$10,000		\$20,000	\$0
Other deductions	\$13,000	\$13,000		\$13,000	\$13,000
Total	\$23,000	\$23,000		\$33,000	\$13,000
Standard or itemized deductions	Standard deduction	Standard deduction		Itemized deduction	Standard deduction
Deduction amount	\$25,900	\$27,700		\$33,000	\$27,700
Total two-year deduction	\$53,600		VS	\$60,700	

That's \$7,100 of additional tax deductions!



# Charitable Remainder Trusts

- For those who need income but still want to be charitable.

-CRAT-  
-CRUT-

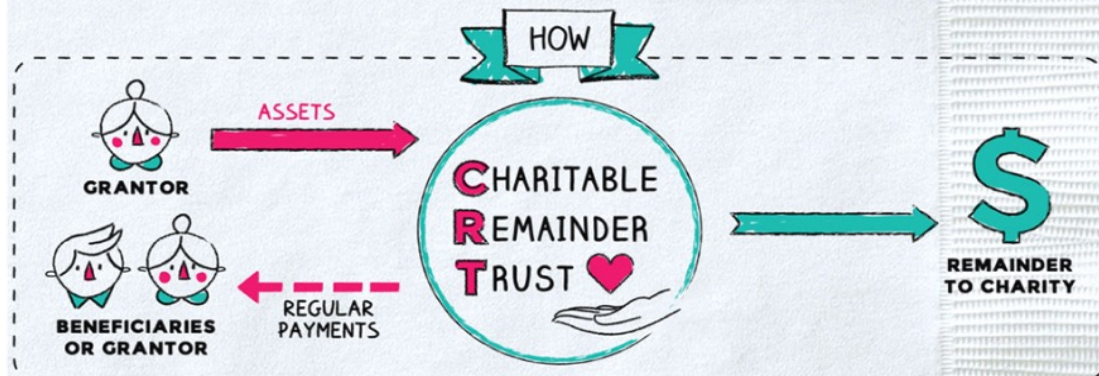
## CHARITABLE REMAINDER TRUSTS

WHAT

IRREVOCABLE TRUSTS

DONATE TO CHARITY + SAVE TAXES + EARN INCOME

HOW



BENEFITS



Napkin Finance

# ➤ CRAT or CRUT?

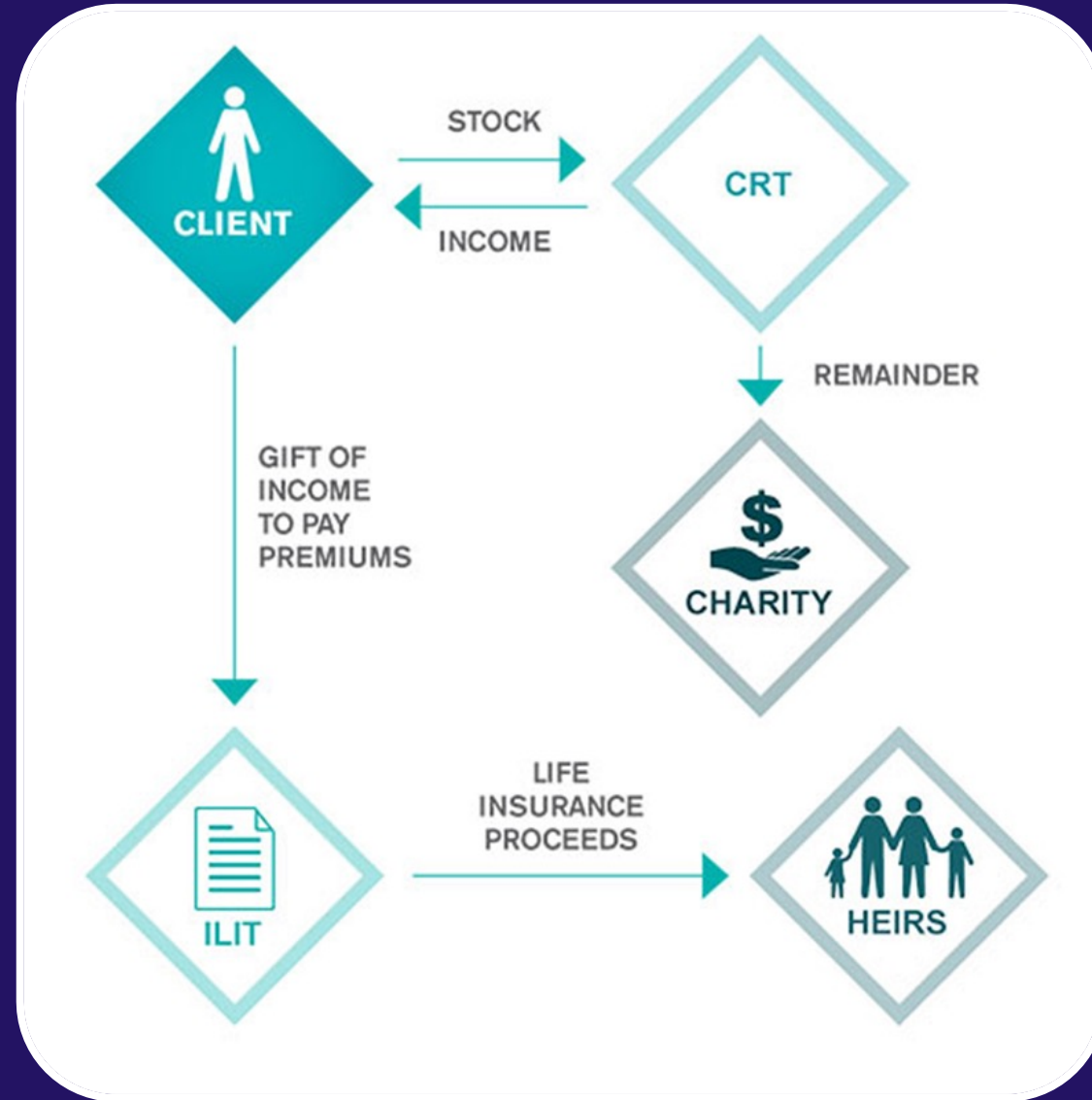
Charitable Remainder Annuity Trust (CRAT)	Charitable Remainder Unit Trust (CRUT)
Remainder interest receives charitable deduction	Remainder interest receives charitable deduction
Term: lifetime or term certain $\leq 20$ years	Term: lifetime or term certain $\leq 20$ years
No additions permitted	Additions can be permitted by trust instrument
Remainder passes to Charity	Remainder Passes to Charity
Fixed amount $\geq 5\%$ of initial net FMV of contributed assets	Income interest: variable amount $\geq 5\%$ of net FMV of trust assets, revalued annually

For Financial Professional Use Only

# Charitable Remainder Trusts

+

# Life Insurance





# Qualified Charitable Distribution

- \$100K, each year, without recognizing the income.
- Can be used to satisfy the RMD requirement.
- Can Help reduce AGI
  - Reduce taxable portion of SS
  - Potentially reduce Capital Gains rates
- Easy way to remove taxable assets from the estate.
  - Allows passing of Non-Qualified assets, with the step up in basis.

## Taxable

If you accept a distribution and then give the money away, it increases your total taxable liability.



vs.

## Non-Taxable

If you instruct your IRA administrator to make a distribution directly to a charity, you satisfy your RMD without adding to your taxable income.





Questions?



# Thank You

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