

# GREENWOOD GEARHART

REGISTERED INVESTMENT ADVISOR

## Charitable Giving Strategies

When considering a donation to a charitable organization, there are a number of ways to give.

### > Cash Donation by writing a check

### > Cash donation by selling stocks from a brokerage account to make cash available

### > Transfer stock to a charitable organization

A) if you hold certificates, you can complete forms to go with your certificates and deliver to the organization

B) if you have a stock brokerage account, you can give instructions to the custodian to electronically transfer shares of stock to the Organization's stock account

### > Donate a check directly from an IRA account if you're age 70 ½ or older (Qualified Charitable Distribution)

### > Donor Advised Funds

### > Estate Strategies

Tax aspects of charitable giving can be complex. We encourage clients and friends to consult with their tax professional about your charitable giving affairs. Below are basic strategies to consider in these conversations.

	PROS	CONS
1. Write a check	<ul style="list-style-type: none"><li>- easy and simple</li><li>- use as an itemized deduction</li></ul>	<ul style="list-style-type: none"><li>- depending on the amount of your income, you could be subject to AMT and your deductions may be limited</li></ul>
2. Sell stock for cash	<ul style="list-style-type: none"><li>- easy and simple</li><li>- if your stock had a loss, you can deduct the loss on your taxes as well as your donation</li></ul>	<ul style="list-style-type: none"><li>- If your stock had a gain, you're subject to capital gains tax</li><li>- If your income is high enough, you're also subject to a 3.8% net investment tax</li></ul>
3. Transfer stock to Organization directly	<ul style="list-style-type: none"><li>- no one pays capital gains tax</li><li>- avoid the 3.8% net investment tax</li><li>- use as an itemized deduction</li></ul>	<ul style="list-style-type: none"><li>- no significant downside except you have to notify the organization of your gift</li><li>- potential of your itemized deduction being limited due to high income (AMT)</li></ul>
4. QCD - Donate from IRA (Only if 70.5 or older)	<ul style="list-style-type: none"><li>- does not count as taxable income</li><li>- counts towards your required minimum distribution (RMD) if over 70.5</li><li>- could keep income in a lower tax bracket</li></ul>	<ul style="list-style-type: none"><li>- limited to \$100,000/year out of your IRA for donations</li></ul>

## Other Giving Strategies

### > Donor Advised Funds:

- Similar to a personal foundation without the significant operating costs.
- Allows you to deposit a large amount in a single tax year, take the deduction in that tax year, but spread the gifts over multiple years.
- Appropriate in situations where income is highly bonus dependent, lumpy in a single year, and/or the donor has a desire to meet a pledge over multiple years.

### > Estate Strategies:

- Charitable Remainder Trusts (CRT's) – An irrevocable trust that allows one to receive an income stream for life, with the remainder going to charity.
- Estate gift from an IRA – Because inheritors of IRA's must continue Required Minimum Distributions (RMD's) it may be wise to prioritize donations from these accounts and preserve taxable or after-tax assets that may have unrealized gains stepped-up to market value at death.
- Family Foundations – Typically most appropriate for ultra-high-net-worth families.

