# FINANCiAL *fitness*

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## Putting Your Money Where Your Values Are

Total charitable giving in 2014 was a record $456.73 billion – up 9.3% over 2013. This extraordinary sum was fueled by favorable economic factors that drive giving, an increasing number of nonprofits (nationally, the number of nonprofits has grown 50% in the last 12 years), the impact of donor advised funds and new and more effective fundraising technologies and techniques. Charities are becoming more efficient in raising money every year through the growing utilization of more sophisticated fundraising technology like online giving and prospect screening.

Smart gift planning combines charitable intent with cost-efficient planning techniques. The tax advantages of a charitable contribution depend on three factors: the recipient to whom the gift is being given (only donations to qualified charities are deductible), how you structure the gift and the kind of asset forming the gift. Different types of charitable donations—cash, stock or personal property—offer different tax advantages and drawbacks.

- Cash donations are usually fully deductible. You will need a receipt from the charity or a bank record (such as a canceled check or statement) to substantiate your cash gift, no matter how small.
- You can donate almost any item of tangible personal property, including old clothing, household goods, or vehicles. **If the property doesn't relate to the charity's mission,** you may deduct the amount you paid for it or the property's current value, whichever is less. **If the property is related to the charity's mission**—a painting donated to the Mint Museum, for example—it's usually fully deductible based on its current value. Many charities will provide some guidance on "thrift value," but it's ultimately up to you to determine the value of your donation for tax purposes.
- You can donate property created by or used in a trade or business. This includes inventory held for sale—or, if you're an artist or craftsperson, items you created for sale. This category also covers property that, if sold, would generate ordinary income instead of long-term capital gains.
- You can usually deduct the full fair market value of appreciated long-term assets you've held for more than one year, such as stocks, bonds or mutual funds and there's no capital gains tax. The deduction is limited to 30% of your adjusted gross income (AGI) instead of the usual 50% limit for donations of cash and short-term property, however, you can still carry forward unused deductions for five years.

While most charitable contributions in the United States are made with cash, checks, or credit cards, these are generally the least strategic ways to give. Donating long-term, appreciated assets potentially allows donors to maximize capital gains tax advantages, which could help donors reduce taxes and ultimately give more to charity. Unfortunately, most charitable organizations are not setup to receive gifts of appreciated securities. This is where Donor-advised Funds or (DAF's) provide an advantage. A DAF is a program established at a local charity (Foundation for the Carolinas, for instance) that allows you to make a gift of your appreciated property, receive an immediate tax deduction, and make recommendations for distributing the funds to qualified charitable organizations in a timeframe that best suits you. They are an effective and popular way for donors to support the charities that matter the most to them because they provide donors the ability to make contributions using a wide range of assets.

Once assets have been contributed to a DAF, they can be invested for short- or long-term giving goals. Often, donors can choose from a variety of investment options that can potentially grow the charitable dollars tax free. Donors can recommend an investment strategy that aligns with their own charitable goals and time frames, either through investment pools or investment advisor-managed accounts depending on the size of the account.

Many donors use their DAFs to give strategically and plan their giving. For donors, key features include the opportunity to grow charitable assets, maintain a record of their giving, the freedom to take their time to decide where to give, as well as the ability to remain anonymous.

The tax aspects of charitable giving can be complex, so it's a good idea to consult a tax professional about your personal giving strategy.

Sandy Carlson has over eighteen years of wealth management experience including income taxation, retirement planning, executive compensation planning, insurance, banking, trust administration and estate planning. She is a Certified Divorce Financial Analyst™ (CDFA) and also holds the QKA designation by the American Society of Pension Professionals & Actuaries. She is President-Elect of the Financial Planning Association, a Tax Instructor in the CFP Program at Queens University, and is a member of the Charlotte Estate Planning Council. Sandy values getting to know her clients and providing creative, integrated solutions for accumulating, preserving and transferring wealth.