Making the Most of Charitable Giving

"I support my Catholic Community and other charities that are close to my heart. What are the most tax efficient ways to give?"

Tax laws and special circumstances can change from year to year, prompting many donors to re-think the ways in which they give. The best way to give depends on your personal situation. A discussion with your legal, tax, or financial advisor, and a little independent research may help determine the optimal tax efficient method of giving for you.

Generally, in order to get a tax advantage for charitable gifts, taxpayers must itemize their tax deductions. However, most people don't have sufficient deductions to itemize. Instead, they utilize the standard deduction. With a little careful planning though, you may be able to get a tax benefit for charitable giving.

In Gratitude

Bunching your Donations – The sum of itemized deductions must exceed the standard deduction in order to receive a tax benefit. "Bunching" more than one year's charitable donations with other itemized deductions is a tax strategy that consolidates multiple years' deductions into one year, providing a tax payer benefit over the standard deduction. Alternating between itemizing one year and taking the standard deduction other years, you can get the maximum benefit on your tax return and potentially save tax dollars.

Giving through a Charitable Gift Fund (CGF)/Donor Advised Fund (DAF) – These are two of fastest growing charitable giving methods today and can enhance the bunching approach. They are special investment accounts where money can grow tax free within the fund, and can be distributed to charities over time. By giving to a CGF or DAF, you get the deduction the year you fund the account, but you then may direct the funds to charities when you desire – including the years you only take a standard deduction.

Gifts from Individual Retirement Accounts (IRAs) - A person who is over 70 ½ and who owns an IRA may make a Qualified Charitable Distribution (QCD) directly from the IRA to an eligible charity designated as a 501(c)(3) without the need to itemize. This eliminates the income tax liability on the distribution, can satisfy or reduce any distribution requirements, and can potentially reduce state income tax and tax on your social security benefits.

Gifts of Appreciated Assets – Although giving cash is certainly easy, donating appreciated investments that you have held for over a year can be a more tax efficient way to support your favorite charities. Stocks, mutual funds, real estate and other types of assets do not need to be sold first to be donated. You can deduct the full value of the investments therefore avoiding capital gains tax on the appreciated value.

Charitable Remainder Trust – If you want to make a contribution and receive an income stream from the donated assets, you could consider this type of trust. You can also contribute to a charity run Charitable Gift Annuity or Pooled Income Fund.

Estate Plans – Developing an estate plan is one of the most important steps you will ever take, no matter your age or income. A well drafted estate plan, specific to your goals, can help you save on taxes, transfer your assets easily, and take care of those you love and those organizations you want to help.

Companies you have worked for or retired from often match your charitable contributions. This is a great strategy to leverage your giving.

"We donate because we truly believe that we are giving back to God a portion of the gifts He gave us. It encourages us to look outside ourselves to the needs of our church and community. Being intentional about our charitable giving helps us to maximize our contributions."

– A Lakeshore Catholic Community Family

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