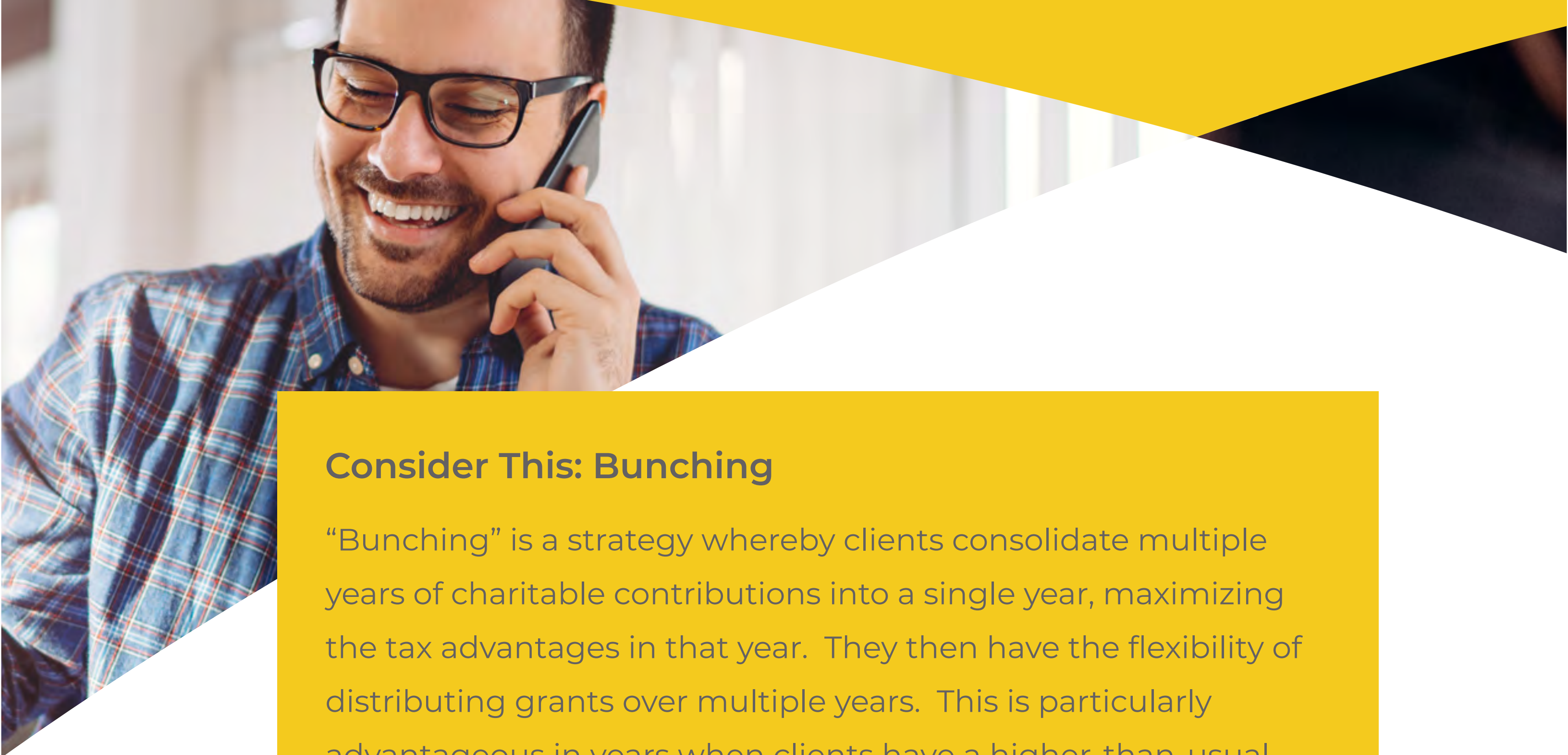
DONOR ADVISED FUNDS

Optimize your clients' tax strategies with charitable giving

Charitable giving has historically been an effective strategy to lower the tax burden of an appreciated portfolio. With a DAF versus a direct giving plan, one can separate decisions necessary for tax reasons from charitable giving. A careful portfolio plan should investigate the DAF to optimize both the power of giving and the benefit of tax optimization.



Consider This: Bunching

"Bunching" is a strategy whereby clients consolidate multiple years of charitable contributions into a single year, maximizing the tax advantages in that year. They then have the flexibility of distributing grants over multiple years. This is particularly advantageous in years when clients have a higher-than-usual income, such as the sale of appreciated real estate.

If a donor, along with their tax advisor, decides that a charitable donation would be most advantageous to their tax situation, the donor could decide to contribute a significantly appreciated asset to a DAF. This serves several purposes:

1. The donor would be able to deduct the gains on the asset (subject to limits and restrictions – consult your tax advisor)

2. The donor would get a tax receipt immediately

3. The donor could make a charitable grant from the DAF immediately or sometime in the future while allowing the asset to continue to ride out a bullish market in a DAF.

Additionally, if the asset is still desired in the non-DAF account, the client can purchase it again at the market price, without resetting their average cost on the security.

For example, a donor wishes to contribute to charity:

Donor purchased ten shares of stock (XYZ) four years ago at a cost of $10 per share or $100. XYZ has appreciated in value and today is worth $80 per share, or $800.

Donor has two choices to contribute to a non-profit:

1. Sell the appreciated asset, pay the capital gains tax on the $700 appreciated value and donate the remainder. This would result in something less than $700 for the non-profit organization.

2. Transfer the stock to the DAF, receive a tax receipt showing the current value of the stock ($800) to use for a tax deduction and avoid the capital gains taxes on the appreciated portion altogether. This would result in the full $800 available for charity.

Choice 2, using a DAF for charitable and tax planning, is a win-win for both the donor who reaps the tax benefit, and the non-profit, which will ultimately see more of the money.

Is a Donor Advised Fund (DAF) the right tax-optimized charitable solution for your clients?

Help them protect, grow, and share their wealth today.

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