



Tax-Intelligent Charitable Giving Strategies

Avantax

Give More, Pay Less in Taxes

Standard Too High?

Several years back, the Tax Cuts and Jobs Act nearly doubled the standard deduction while restricting the state tax deduction. As a result, a significant number of individuals shifted from itemized deductions on their tax returns to the standard deduction by default. Even when combining deductions such as mortgage interest and charitable donations, most people no longer surpass the standard deduction threshold. This means you may not be receiving the incremental tax benefits from your charitable contributions as you did in the past.

Working with an Avantax Financial Professional can help you maximize your charitable impact while optimizing your tax situation. Discover five powerful strategies for charitable giving that can benefit you and the organizations you support.

Giftting Appreciated Securities

If you own in your investment accounts stocks, mutual funds or anything that has appreciated and has untaxed gains, you can gift that stock directly to a charity or certain charitable investment funds without having to pay capital gains tax on the investment's growth. You are still giving the full amount to causes you care about, while getting a tax deduction from your gift and reducing the taxes you'll pay in your investment account over time.

Donor Advised Funds

Similar to how you can gift appreciated securities to a charity directly, you can gift appreciated securities to a Donor Advised Fund. A Donor Advised Fund is a type of investment account where you can house and grow assets that you'd like to gift to charity over time and you can make contributions directly from that account. By taking stocks in your portfolio that have increased in value the most and donating them into a Donor Advised Fund, you can gain a tax deduction for the donation and forego the capital gains tax you would have paid on those stocks' appreciation. The assets in your Donor Advised Fund are invested so they continue to grow, and you have complete control of how and when the funds are doled out to charities. You're also able to replenish the funds in your investment account with fresh cash that doesn't have capital gains. For example, if you gift

\$5,000 of appreciated stock that you originally bought for \$2,500, you eliminate the capital gain you normally would have paid, and you can replace the funds in your investment account with \$5,000 cash from your bank account. It's much more tax-efficient than gifting cash directly from your bank account to a charity and the net result of your accounts is the same but maximizes your tax-saving opportunities.

Charitable Remainder Trusts

You can also gift appreciated securities to a Charitable Remainder Trust. A Charitable Remainder Trust (CRT) is an irrevocable trust designed to provide you with an income stream and tax deduction on assets that will eventually be donated to the charity of your choice. A CRT is established by creating a trust, transferring property (typically highly appreciated assets) into it and choosing which charity will ultimately benefit. When the trust is established, you can decide how long you want to generate income before donating the remaining assets to a charity and whether you want to be the recipient of the income or choose someone else to benefit. The chosen charity will serve as the trustee, including managing the assets, which takes the decision-making process out of your hands. As part of the setup, you'll also choose whether income will be received as a fixed amount or a percentage of the value of the trust. Beneficiaries are required to receive between 5% and 50% of the income annually and you also need to decide how many years to receive income (not to exceed 20) before donating the rest.

Qualified Charitable Distributions

If you are 70 ½ or older, you can support your favorite charitable causes with Qualified Charitable Distributions (QCDs). With a QCD, you can directly transfer up to \$100,000 in tax-deferred retirement savings to a qualified charity without incurring taxable income on the distribution, reducing your overall tax liability. This can be especially beneficial for retirees who are required to take minimum distributions from their traditional IRAs, as it reduces their taxable income, potentially lowering their overall tax liability. Unlike regular charitable deductions, which may have limitations based on your adjusted gross income (AGI), QCDs don't have AGI limitations. This means you can make substantial charitable contributions through QCDs without worrying about income-based restrictions.

Bunching

If you plan to make charitable contributions on a regular basis, you can bunch gifts into a larger lump sum once every couple of years to exceed the standard deduction amount. That will allow you to itemize deductions again and receive an incremental tax benefit. You can also use bunching strategies in conjunction with any of the above strategies such as five years or gifting to a charity, Donor Advised Fund or Charitable Remainder Trust.

Contact your Financial Professional to explore the different types of charitable giving and maximize your tax benefits by aligning your gifting goals with your plan.

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