SPECIAL REPORT

Making the Most of Your Charitable Giving

Americans gave a record $410 billion to charities in 2017. But how many considered maximizing their tax savings as they made their gifts?

We believe charitable giving and a personalized tax strategy go hand-in-hand. For that reason, the Adviser Investments Financial Planning Team is always happy to review the tax implications of any philanthropic plan our clients wish to implement.

Three main benefits to planning ahead:

- **Maximizing Your Impact.** Developing a charitable plan, rather than following a one-off gifting approach, can increase your giving and reduce your taxes.
- **Building Your Legacy.** Involving your family in your philanthropy early can build a legacy of giving for generations to come.
- **Giving Wisely.** Evaluating charities ahead of time will lead to more educated, impactful giving over time.

Deciding on the best way to give doesn't have to be a challenge, but it can be. At Adviser Investments, we work with you to discuss your giving options and determine what's best-suited to your goals. Here are some strategies for getting the most out of your charitable giving.

Five Common Giving Strategies

1. DONOR-ADVISED FUND (DAF)

If you've ever wanted to run your own charitable foundation without the administrative hassles, a DAF may be for you.

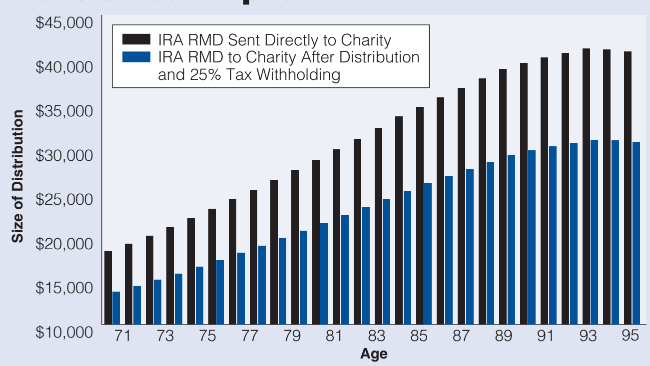
Anyone can create a charitable account through a DAF offered by custodians like Fidelity or Vanguard. This arrangement allows you to donate cash, mutual fund shares, stocks and even complex assets such as real estate or private interests for an immediate tax deduction in the year of your gift. With a DAF, though, you don't have to start making donations to charities right away. Instead, your contributions are invested in a portfolio (typically mutual funds) of your choice, and they grow tax-deferred until you recommend a gift or a series of gifts to any number of charities.

Donor-advised accounts are simple to set up and inexpensive to maintain, unlike private foundations. Once you take the deduction for the gift, you don't have to worry about any further tax reporting. Most custodians will also allow you to name successors to carry on your charitable giving. DAFs are becoming more popular given the higher standard deductions that went into effect with the 2018 tax law changes. Increasing numbers of donors are using "bunching" to make several years' of donations to a DAF at once, allowing them to itemize their taxes for maximum savings.

2. QUALIFIED CHARITABLE DISTRIBUTION (QCD)

If you have a traditional individual retirement account (IRA) you can use it to make charitable contributions while reducing your tax liabilities. At age 70½, you can make

Giving Directly From Your IRA Boosts Your Impact



Note: Chart shows hypothetical growth of charitable donations from an IRA starting with a $500,000 balance, 5% annual returns, a 25% tax bracket and no itemizing. Distribution amounts were calculated using the IRS Uniform Lifetime Table. Sources: Adviser Investments, Internal Revenue Service.

charitable gifts directly from your IRA while satisfying minimum distribution requirements.

Here's how it works: Once you begin taking your required minimum distributions (RMDs) from a traditional IRA (starting in the year after you turn 70½), you can direct them to a qualified 501(3)(c) charity (but not a DAF) rather than receiving them as taxable income. If you do that, the QCD is not reported as income on your tax return. The savings can be significant, and instead of taxes reducing the value of your distribution, the entire amount goes to the charity of your choice. (See the chart on the previous page for an example.)

3. DIRECT GIFTS OF APPRECIATED SECURITIES

Did you know that you can donate securities such as stocks, bonds or mutual funds, rather than cash?

You can, and giving securities that have large embedded capital gains allows you to avoid taxes while still receiving a deduction for the security's fair-market value—gifting a security that's appreciated significantly creates the greatest tax savings. It also means the charity gets the full value of your donation, since transfer or gift taxes do not apply. Depending on the size of your estate, this method may also reduce your estate taxes down the road.

The table below gives a hypothetical breakdown of the potential savings for these kinds of gifts.

Cash Is Not Always King With Charities

	If you give cash	If you give stock
Stock Value	$100,000	$100,000
Capital Gain	$50,000	$50,000
Tax Owed if Sold	$11,900	—
Tax Owed if Given Directly	—	$0
Net Charitable Gift	$88,100	$100,000
Value of Tax Deduction*	$32,597	$37,000
Tax Savings/Additional Gift	$0	$11,900
Increased Value of Deduction	—	$4,403

Note: Table assumes stocks were purchased for $50,000 and grew in value to $100,000, tax calculations use a 37% income tax bracket and 23.8% capital gains rate where applicable. *Charitable contributions are 100% deductible, subject to IRS deduction limitations. Results will vary depending on your tax situation. Source: Adviser Investments.

4. SPLIT-INTEREST CHARITABLE TRUSTS

If you want to give some of your assets to a charity and reserve some for yourself or an heir, this species of trust could be appealing.

Split-interest charitable trusts are irrevocable trusts with two beneficiaries: One charitable and one non-charitable (such as the donor or heirs). One beneficiary is "paid first" and receives income payments from the trust over a period of time; the other beneficiary receives the assets remaining in the trust at the end of the pre-determined distribution period.

Charitable lead trusts (CLT; charity paid first) and charitable remainder trusts (CRT; other beneficiary paid first) are two common types of split-interest trusts. A gift to either type is irrevocable and can provide you with an immediate tax deduction.

5. PRIVATE FOUNDATIONS

Some people prefer to establish their own charitable foundations. Private foundations provide greater flexibility and control than a DAF, as they can make charitable gifts to both private and public charities as well as individuals.

The drawbacks to this option include higher costs for management and tax reporting, required minimum charitable distributions based on the trust's size, and a 2% excise tax on any net investment income. Plus, private foundations may not be able to take income tax deductions.

A CHARITABLE STRATEGY THAT'S RIGHT FOR YOU

Just as every donor has their own charitable intentions, each also has different needs when it comes to charitable giving. Some of the strategies mentioned above sound simple but can be quite complex to implement. Others are simpler but may not provide the flexibility you desire. Working with a trusted wealth manager can help you maximize your giving impact while making smart tax decisions. The team at Adviser Investments has worked with many clients over the years to build their charitable legacies and we stand ready to help you put your personal philanthropic plan into action.