CPA
Practice Advisor

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Millions of people give to charity to support various causes that have had a positive effect on their lives, their loved ones and their communities. According to the National Philanthropic Trust, Americans donated $499.33 billion in 2022.

Individuals formed the largest source of charitable giving, which amounted to

charitable contributions, according to the National Philanthropic Trust.

Here are some of the positive effects of donating, beyond helping those in need:

- **Donating strengthens personal values.** People who donate get a boost in their mood and feel that they are following their moral conscience by helping. According to a Charities Aid Foundation survey, 96% of the individuals who gave said that they had a moral duty to help other people, a feeling that is deeply rooted in their principles and values.
- **Giving to charity empowers communities.** Giving enables people to invest in change and make places and spaces look better and more beautiful. It is easy to identify various causes in your immediate environment and support them through charitable giving.
- **Giving allows your family and friends to learn about generosity.** People who see others donating to a good cause are more likely to do the same. Giving to charity reminds people that they need to support others. As they see you give, your family might also start to support the same causes, which nurtures generosity.
- **Charity can add more meaning to your life.** Wealth offers a better standard of living, but you can also use it to build your community and leave a legacy. Giving to charity gives your wealth an enhanced meaning. You get a chance to express yourself, support causes that are important to your life and change the world around you.

Here are five strategies to use when giving to charity.

1. Research and understand how various charities operate

A survey done by Fidelity Charitable found that about 67% of donors said they

2. Donate appreciated assets

You can make donations without focusing on cash, and that is through contributing appreciated assets such as stocks directly to a charity. When you donate stocks, you are exempted from paying capital gains tax on stock appreciation, which increases your donation value while lowering your tax.

Cash has a lower tax efficiency and has a high likelihood of reducing your donation value. Almost 47% of the donors told Fidelity Charitable that they would give more if they received a higher tax deduction.

When you file your federal taxes, you must report your stock donation on IRS Form 8283, which is the form for non-cash charitable contributions. You will need to submit this form with your tax return for the year you donated the stock.

Donors also can use donor-advised funds (DAFs) to help them donate their appreciated assets. A DAF is a charitable giving vehicle sponsored by a public charity, and its role is to convert appreciated assets into charitable funds. The benefit of using the DAF program is that you can eliminate the capital gains tax rate of 20% and probably a Medicare surtax, aka IRMAA, that you could have incurred if you sold the stock and then donated the proceeds to the charity.

There are no contribution limits on how much individuals and families can donate to a DAF. Some DAF sponsors may require a minimum initial contribution or a minimum grant amount. Grants do need to be approved by the DAF sponsor. A DAF may also offer the ability for anonymous granting.

3. Divest private interests through a DAF

Your financial advisor or CPA can help you strategize on donating non-publicly traded interests to a charity before divestiture. (Non-publicly traded interests include alternative investments, restricted stock units, S corp or C corp shares, limited

thousands of dollars, which means that you will save more money.

4. Take advantage of high-income years

If you have experienced a high-income year, it is advisable to take advantage of charitable contributions. Donating to DAFs will help you lower your taxable income. When using a DAF, your contributions can be re-invested, which will allow you to earn tax-free money and have more funds for charity.

5. Consider qualified charitable distributions

Anyone age 70½ or older can use qualified charitable distributions (QCDs), especially if they hold IRAs. QCDs, also known as IRA charitable rollovers, allow individuals to meet their required minimum distributions by directing up to $100,000 to one or more qualified charities. QCDs don't raise taxable income, and they can help clients mitigate tax bracket creep and reduce the likelihood of disqualifying you for certain tax deductions or tax credits. Reducing your taxable income also can lower your Medicare premiums and minimize taxes on your Social Security benefits.

Donating to charity helps you to support your causes and make an impact in the community. An intentional approach that integrates financial planning, estate planning and tax planning can support inspiring charitable organizations and create a powerful legacy.

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