MAI
Capital Management

COVID-19 Update:

Charitable giving activity surges amid the pandemic: How a giving strategy can complement your larger financial plan

Charitable giving has always played an important role in financial planning, and this year, philanthropic efforts are proving to be more important than ever, as the financial impacts of the coronavirus pandemic continue.

The pandemic and ensuing economic slowdown have caused widespread financial challenges for individuals and the charitable organizations that serve them. In the face of this, high-net-worth investors are sticking to their giving plans - and some are increasing charitable dollar spend. According to a recent survey from Fidelity Charitable, 54% of people said the amount they usually donate to nonprofit organizations as a result of COVID-19 will remain unchanged while 25% said they would donate more due to the pandemic. In fact, some experts predict 2020 could be a record year for philanthropic giving.

Giving isn't limited to writing checks to your favorite organizations, and there are several strategies your financial advisor can implement to direct funds to causes that matter to you within the context of your larger financial plan.

1. Donating Cash or Appreciated Securities: In this case, donors may give cash or appreciated securities to a qualified charitable organization at any time and receive an income tax deduction. There are several important considerations with this strategy - for instance the allowable deduction is limited to a certain percentage of the donor's adjusted gross income, the limitation varies depending on whether cash or securities are given and also whether the qualified organization is a private foundation or public charity. Donating appreciated securities has the added benefit of allowing you to avoid paying capital gains tax on the appreciation.

2. Utilizing a Donor Advised Fund: Donors who have not yet determined which charity they would like to donate funds to and who wish to take a current year charitable contribution income tax deduction are able to set up a donor advised fund through their advisor. These funds are administered by various public charities and the donor is able to contribute to the fund as often as they would like.

3. Donating Proceeds from IRA or Qualified Plan Distributions: Distributions from a Traditional IRA or Qualified Retirement Plans are taxable to the holder throughout their lifetime, as well as to the beneficiary after the owner passes. However, during an IRA or qualified plan owner's lifetime, they are able to make a qualified charitable contribution ("QCD") from their retirement account which is a direct transfer from the IRA to a qualified charity.

4. Bequest by Will: An individual may request a portion of their estate to be transferred to a qualified organization upon death. The estate will receive a deduction for the amount of the charitable contribution.

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5. Establishing a Charitable Remainder Trust: A charitable remainder trust is created to make a future contribution to a qualified organization while at the same time providing income to the donor for a predetermined period of time of up to 20 years or until death of the donor, the donor's spouse, or a beneficiary named by the donor.

6. Establishing a Charitable Lead Trust: A charitable lead trust offers a different approach to the Charitable Remainder Trust and is created to provide an annual donation to a qualified organization for a specified period of time -- up to 20 years or until death of the donor, the donor's spouse or a beneficiary named by the donor.

7. Gifting Via a Life Insurance Policy: Life insurance often allows a donor to make a large gift to a qualified organization at a relatively low cost to the donor of the annual premiums. There are various ways to include a nonprofit organization in a personal life insurance policy.

There are a variety of avenues that can be used when an individual wishes to donate assets to a qualified organization. If you are interested in making a larger impact with your investments and legacy, consult with your wealth advisor on a customized approach for your financial plan.

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