

2024 Guide to Smart Charitable Giving: Tax-Saving Strategies



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Appraiser Blog

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As we approach a new year, it's a golden opportunity to revisit our approach to charitable giving. While the act of giving is often driven by the heart, integrating smart tax strategies can amplify the impact of our generosity. With insights from leading financial advisors, we're here to guide you through optimizing your charitable donations for 2024. Let's make giving more rewarding, not just for the beneficiaries of your kindness but also for your financial well-being.



The Smart Giver's Early Bird Strategy

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Julie Goodridge, the visionary behind NorthStar Asset Management, reminds us of an often-overlooked truth: the best charitable giving strategies require foresight. "We encourage people to start thinking about charitable giving in June," she advises. Yet, as we stand at the threshold of 2024, there's no better moment than now to begin planning. Stephen Cohn of Sage Financial Group echoes this sentiment, emphasizing that early planning not only maximizes tax advantages but also ensures more thoughtful, impactful contributions.

Shaun Williams, from Paragon Capital Management, points out another crucial aspect: early donations greatly assist nonprofits by providing them with resources when they're often most needed—at the start of the year. This strategic timing benefits everyone involved.

Key Strategies for Maximizing Your Giving

1. Open a Donor-Advised Fund

A donor-advised fund (DAF) is a powerful tool for those looking to enhance their charitable impact. Cohn explains that these funds allow for a lump sum contribution in a single tax year, potentially shifting a taxpayer from taking the standard deduction to itemizing deductions. This move can lead to significant tax savings, especially in your peak earning years or just before retirement.

Why it's a game-changer:

- **Immediate Tax Deduction:** Contribute now, decide on the beneficiary later.
- **Flexibility:** Spread out donations over time, aligning with your philanthropic goals.
- **Tax Efficiency:** Potentially lower your taxable income and maximize deductions.

Consider setting up a DAF as you approach retirement, making a substantial contribution that can support your charitable giving into your non-working years. "A tax deduction is more powerful the higher the bracket you're in," Williams notes, highlighting the strategic advantage of timing your contribution.

2. Donate Appreciated Stock

The gift of appreciated stock is a win-win for both the donor and the recipient. By donating stock that has increased in value, particularly those held for over a year, you can avoid capital gains tax and claim a deduction for the stock's full market value. Goodridge and Cohn both champion this approach, noting its efficiency and the significant benefit it offers to charities.

Strategic advantages:

- **Tax Efficiency:** Avoid capital gains tax on the appreciation.
- **Increased Donation Value:** Leverage the stock's full market value for charitable impact.
- **Versatility:** Works well in conjunction with a DAF or direct donations to charities.

3. Make Qualified Charitable Distributions

For those over 70½ years old, qualified charitable distributions (QCDs) present a unique opportunity. Directly transferring funds from an IRA or 401(k) to a charity can satisfy required minimum distributions (RMDs) without increasing adjusted gross income. Cohn highlights this strategy as a smart move for retirees, offering both tax efficiency and the satisfaction of supporting a cause.

Why consider QCDs:

- **Tax-Free Distributions:** Fulfill RMDs without the tax liability.
- **Direct Impact:** Funds go straight to the charity, ensuring immediate support.
- **Income Management:** Manage your taxable income more effectively.

Conclusion: A Call to Action for Thoughtful Giving

As we navigate the evolving landscape of tax legislation, with changes anticipated post-2025, the importance of strategic charitable giving has never been clearer. Williams cautions that upcoming elections could significantly influence tax policies related to charitable giving, underscoring the need for proactive planning.

Charitable giving, when done wisely, not only furthers the causes close to our hearts but also offers tangible financial benefits. By adopting strategies like opening a donor-

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advised fund, donating appreciated stock, and making qualified charitable distributions, you can enhance your philanthropic impact and optimize your tax situation. As we look forward to 2024, let's embrace the dual goals of generosity and financial wisdom, making each donation count for more.

Remember, the journey to impactful giving starts with a single step: planning. Let this be the year you transform your charitable contributions into a powerful testament to your values and financial acumen.