

Advisory Blog

Timely insights on the issues that matter most to advisors and their clients

Disclosure



The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness. Past performance is no guarantee of future results.

[Equities](#) | [Rates](#) | [Taxes](#)

Tax Deductions Remain High for Charitable Investors in Pooled Income Funds through Year End

By: Eileen Tam | November 1, 2022

Boston - The stale federal discount rates still in effect through the end of the year offer charitably inclined investors a rare opportunity to take advantage of still-low interest rates before they reset higher next year.

A charitable pooled income fund (PIF) offers a lifetime income stream for you and your beneficiaries, along with a partial tax deduction that's especially favorable in this environment. The current low discount rate means that the value of income tax deductions for 2022 contributions remain proportionately high relative to where they will be for those who choose to wait.

It is important to understand how the Federal Section 7520 Interest Rate impacts your PIF contribution. The lower the interest rate, the lower the presumed payout rate (regardless of the actual size of distributions), which allows for a larger tax deduction. The mandated valuation rate for gifts to funds with less than three taxable years of experience is 1.6% in 2022, and is likely to spike to 2.2% in 2023, assuming the Section 7520 Interest Rate in December 2022 is within a range of 3.4% to 5.6%.

The ages and number of income beneficiaries will also impact the size of your tax deduction when contributing to a PIF. For example, a 60-year-old couple taking advantage of the 1.6% rate before the year ends receives a deduction of 65.5% of the contribution value, compared with 56.2% if contributing in 2023 at a 2.2% rate. As rates rise, deductions decrease in size because the amount forecast to be left to the charity is lower.

Investing in a PIF provides a gift to a charitable trust, income back to the donor and their beneficiaries and the potential for the size of the gift to grow. A PIF also offers several advantages over a charitable remainder trust (CRT).

Charitable giving in the United States soared to new highs during the pandemic, signaling the importance of philanthropy amid global turmoil. Americans gave \$485 billion to U.S. charities in 2021, a 4% increase from 2020, according to the Giving USA 2021 Annual Report. Like any investment decision, donating money to charitable causes requires a strategic approach that can help you navigate the complexities of taxes and legacy planning as part of your wealth management goals.

Bottom line: The current low mandated valuation rate for gifts to pooled income funds presents an especially attractive opportunity for philanthropic investors.

Risk Considerations: *The value of investments may increase or decrease in response to economic, and financial events (whether real, expected or perceived) in the U.S. and global markets. The value of equity securities is sensitive to stock market volatility.*

Active management attempts to outperform a passive benchmark through proactive security selection and assumes considerable risk should managers incorrectly anticipate changing conditions.

The Firm does not provide tax advice. The tax information contained herein is general and is not exhaustive by nature.



Eileen Tam
Director of Philanthropic
Solutions
Eaton Vance

"Contributing to a charitable PIF can offer a lifetime income stream for you and your beneficiaries, along with a partial tax deduction that's especially attractive in this rate environment."



To report a website vulnerability, please go to [Responsible Disclosure](#).

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

For USA PATRIOT Act Disclosure Notice please click [here](#).

 This image indicates content designed specifically for Financial Advisors / Investment Professionals. This material is not to be used with the public.

Before investing in any Eaton Vance, Calvert or Morgan Stanley Investment Management Inc.-advised fund, prospective investors should consider carefully the investment objective(s), risks, and charges and expenses. Read the prospectus carefully before you invest or send money. For **open-end mutual funds**, the current prospectus contains this and other information. To obtain an **open-end mutual fund** prospectus or summary prospectus and the most recent annual and semiannual shareholder reports, contact your financial advisor or [download a copy here](#). For **closed-end funds**, you should contact your financial advisor. To obtain the most recent annual and semi-annual shareholder report for a closed-end fund contact your financial advisor or [download a copy here](#). To obtain an **exchange-traded fund**, ("ETF") prospectus or summary prospectus, contact your financial advisor or [download a copy here](#).

Before purchasing any **variable product**, consider the objectives, risks, charges, and expenses associated with the underlying investment option(s) and those of the product itself. For a prospectus containing this and other information, contact your investment or insurance professional. Read the prospectus carefully before investing.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

Eaton Vance does not provide tax or legal advice. Prospective investors should consult with a tax or legal advisor before making any investment decision. The information on this Web page is for U.S. residents only and does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer.

© Eaton Vance Management. All rights reserved.

Eaton Vance open-end mutual funds are offered through Eaton Vance Distributors, Inc. Two International Place, Boston, MA 02110. Member [FINRA](#) / [SIPC](#). Calvert exchange-traded funds are distributed by Foreside Fund Services, LLC.