

# Coach's Corner

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# Tis the Season to Talk Tax-Smart Charitable Giving

By: Holly Swan | November 14, 2023

Did you know that almost one-third of all charitable giving in the U.S. occurs in December, and 10% of annual giving will occur over the last three days of the year?<sup>1</sup> Last minute giving often results in cash donations, which are rarely the most tax-efficient way for your clients to support their favorite charitable organizations.

Here are three alternative giving strategies to discuss with clients, and questions you can ask to get the conversation started:

### Donating Stock in Lieu of Cash

Using appreciated stock to fund charitable giving can unlock more value for charities while maximizing tax benefits for donors. When taxpayers give publicly traded securities to charities, the taxpayer and the charity win because neither will owe capital gains tax on the appreciated securities when sold.

**Ask:** "How open are you to discussing the benefits of funding your charitable giving with appreciated securities in lieu of cash?"

### Bunching Charitable Donations

The 2024 standard deduction for married couples filing jointly will be \$29,200. Because of the limitation on other deductions—like state and local taxes and mortgage interest—your clients may no longer receive a charitable deduction if their itemized deductions do not exceed the standard deduction.

Clients in this situation could recover a tax deduction by bunching multiple years' worth of giving into a single year. This bunched amount can then be given directly to the charity of their choice or used to fund a donor-advised fund (DAF), which they can distribute out over multiple years.

**Ask:** "Are you able to deduct your charitable giving as an itemized deduction, or are you limited to using the standard deduction amount?"

### Qualified Charitable Distributions from an IRA

Clients over the age of 70½ can consider making qualified charitable distributions (QCD) from their IRAs—a direct transfer of funds from an IRA to a qualified charity. For clients required to take minimum distributions, QCDs of up to \$100,000 can be counted toward their required minimum distribution for the year. While traditional IRA distributions are taxed as ordinary income, QCDs are excluded from taxable income entirely.

**Consider asking clients who are 70½ or older:** "How familiar are you with the potential benefits of funding your charitable giving with a qualified charitable distribution?"

**Bottom Line:** Remind charitably inclined clients that a little advanced planning can go a long way in helping to improve their tax outcomes in

the new year.

1. *Nonprofits Source*. (2022). *The Ultimate List of Charitable Giving Statistics For 2022. (General Charitable Giving Statistics)*. <https://nonprofitssource.com/online-giving-statistics/-:~:text=General%20Charitable%20Giving%20Statistics,a%20difference%20by%20supporting%20causes.>

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Holly Swan  
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"Last minute giving often results in cash donations, which are rarely the most tax-efficient way for your clients to support their favorite charitable organizations."



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