Eaton Vance Tax Education Center

WATCH | Three Scenarios Where Planned Giving Can Make a Difference

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Three Scenarios Where Planned Giving Can Make a Difference

Did you know there are tax benefits from planning how to give? Today, we're going to cover three common giving scenarios and provide options designed to help maximize charitable contributions.

Scenario 1: Should I give cash or securities?
A married couple holds a highly-appreciated stock that was purchased 10 years ago. It is now worth double their initial investment. If they sell the stock outright, they would pay federal long-term capital gains tax plus any applicable state and local taxes. Their federal income tax deduction would be based on the amount they have left after paying taxes. If instead, they contribute the stock directly to a qualified charity or planned giving vehicle, no federal capital gains taxes are due on the contribution. They may also be eligible to receive a charitable income tax deduction for the full fair market value of the gift, not to exceed 30% of their adjusted gross income.

Scenario 2: Establishing a legacy of giving
A business executive and his spouse have several charities they care deeply about. They also want to encourage philanthropy in their family. Working closely with their financial advisor, they explore several types of planned giving vehicles. Ultimately, they select a donor-advised fund that can provide immediate tax benefits, addresses their desire to give today and establishes a legacy of giving within their family.

Scenario 3: Transferring wealth to future generations
A third option is to use a charitable remainder trust that provides income to beneficiaries while they are living and passes on the remaining assets to charities later on. A retired business owner wants to provide for her large extended family while achieving her long-term philanthropic objectives. Working closely with her financial advisor, she establishes a charitable remainder trust. This type of trust provides an income stream to beneficiaries for their lifetime or a set number of years. When the last income beneficiary passes away, the trust account converts to a charitable account. The assets are then distributed to the qualified charities that the donor or her designees selected. When it comes to charitable giving, it helps to develop a plan.

Take a few minutes to explore the Eaton Vance Tax Education Center at EatonVance.com/TaxEdCenter for more useful resources to help you meet your client’s tax-forward investing needs.

Disclosure

Tax-loss harvest transactions aren't beneficial in a retirement account because the losses generated in a tax-deferred account cannot be deducted.

The Firm does not provide tax advice. The tax information contained herein is general and is not exhaustive by nature. Tax laws are complex and subject to change. Investors should always consult their own legal or tax professional for information concerning their individual situation.

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