Great outcomes. Done well.

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‘Tis the Season: Making the Most of Your Charitable Giving

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November is National Giving Month, a time to reflect on charity, gratitude and giving back to the community. This month's Wealth Management Insights looks at charitable giving and the ways careful planning can help you maximize the impact of your gifts.

In many cases, charitable giving means balancing altruism with pragmatism.

What You Should Know:

1. You can structure a charitable giving plan in a way that's right for you.

- If you're concerned about donating money you might need later, consider naming a charity as a beneficiary of your IRA or 401(k). The designation is revocable at any time, so you can change beneficiaries as your priorities change. And any income a charity receives through an IRA or 401(k) distribution is untaxed.
- Interested in giving without a lot of paperwork? By giving to a charity's donor-advised fund, you provide guidance into how your donation is invested and distributed, but the charity is responsible for all the bookkeeping.
- Charitable trusts can help provide for your heirs and your favorite causes. Charitable lead trusts make annual payments to a designated charity during your lifetime, with the remainder of the trust going to designated beneficiaries after your death. Charitable remainder trusts are the reverse, providing income to beneficiaries during the trust's term before transferring to the charity.

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2. A family giving plan can help you pass your values and your wealth to loved ones.

- Families can donate land while continuing to live on it. Through a remainder interest gift, the donor makes an irrevocable gift of an interest in family property while retaining a life estate. When the donor dies, ownership of the property transfers to the designated charity.
- Contributions to a child's or grandchild's education can receive beneficial tax treatment, though specific benefits will vary by where you live and the vehicle through which you give (such as a 529, Coverdell or UTMA).
- A private foundation may be ideal for families looking to establish a legacy. However, they typically require a large initial investment, can be expensive to operate and are closely regulated.

3. Giving doesn't require an elaborate financial plan. It can also entail donations to local charitable thrift stores and volunteering.

- The IRS limits your total charitable deductions to a maximum of 50% of your adjusted gross income, though 20% and 30% limitations apply in some cases. Taxpayers with an AGI greater than $254,200 ($305,050 for couples) will face reductions in the total amount they may deduct on their returns.
- Volunteering is a means of giving with non-monetary benefits. Studies in medical journals such as The Journal of Health and Social Behavior and Social Psychology Quarterly found volunteering can have beneficial effects on mental health, depression and inflammation.
- For an expense incurred while volunteering to qualify as a deduction, it must be "unreimbursed, directly connected with the services, expenses you had only because of the services you gave, and not personal, living, or family expenses." IRS Publication 526 has more on tax deductions for volunteer activities.

What you should do now:

Volunteer opportunities could be as close as your local school, church or food bank. Before making a charitable gift, though, be sure to consult your Baird Financial Advisor and tax advisor, who can help make sure your donation delivers its maximum impact for you and the causes you support. ■

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