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A Smarter Way to Give

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For many people, the first impulse after a natural disaster strikes is "How can I help?" While any financial assistance you offer is sure to be appreciated, with a little planning, you can maximize your gift's charitable impact. This month's Wealth Management Insights discusses donor-advised funds and why they are ideally suited for charitable giving following a natural disaster.

What you should know:

1. In the event of an emergency, most appeals for donations occur during and immediately after the crisis, leaving rebuilding and prevention efforts critically underfunded.

- The Federal Emergency Management Agency has broken down emergency management into four distinct phases: mitigation, preparedness, response and recovery.
- The response phase, which takes place in the immediate aftermath of an emergency, typically lasts up to six weeks. It's estimated that 80–90% of relief donations are made within the response phase.
- By the time the recovery and mitigation phases have begun, appeals for relief have mostly dried up. This means comparatively few funds are applied to rebuilding and preventing future disasters.

2. The unique benefits of donor-advised funds make them an excellent tool for disaster relief.

- When you set up a donor-advised fund, you're setting aside funds from the rest of your wealth management plans. This structure lets you donate immediately in the event of a sudden emergency – you don't have to reconfigure your existing financial plans to give.
- Donor-advised funds are distributed entirely at your discretion. If you so choose, you could donate immediately during the response phase of a disaster but earmark the rest of your gift for the recovery and mitigation phases.
- Donor-advised funds let you help yourself as you help others. Not only do the funds' investments grow tax-free, but your initial and any future

contributions to the fund are deducted from that year's taxes – a useful benefit if you plan on bunching deductions as part of your tax strategy.

3. Setting up a donor-advised fund is easy.

- You open the fund by making an initial donation of cash, stocks, bonds or other select assets.
- A nonprofit sponsoring organization invests the assets and manages the fund.
- You instruct the sponsoring organization to disperse funds to the charities of your choosing.

What you should do now:

The popularity of donor-advised funds has increased significantly following the passage of the 2017 Tax Cuts and Jobs Act. If charitable giving is a part of your broader wealth management plans, a conversation with a **Baird Financial Advisor** can help you determine if donor-advised funds make sense for you. ■