

## Charitable Giving Year-End Checklist #2

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Charitable giving is a powerful way to channel gratitude and generosity, creating a positive impact on the lives of others and fostering a sense of community. Reviewing a checklist before the end of 2023 can be beneficial in ensuring that your contributions are aligned with your values and optimized for tax efficiency. Take note of the 2023 deadlines to ensure that your gift is counted for this fiscal year. Reach out to your Wealth Consultant and tax advisor to discuss how gifting fits into your financial plan. If you are not currently an Evergreen client, [click here](#) to speak with our team.

#### 1. Review Charities

Contributions are only qualified for a tax deduction if they are made to a tax-exempt 501(c)(3) organization. Before donating make sure you either confirm tax status with the charity or use the [IRS Exempt Organizations Select Check Tool](#). You should also review to make sure the organizations you are giving to are utilizing funds appropriately. Websites such as [Charity Navigator](#) can help you identify institutions that align with your values and are efficiently managed, helping get money to those most in need.

#### 2. How Should You Give?

**Direct Donations:** Writing a check is the simplest way, but donating appreciated securities can help you give more while reducing your taxes. Gifting low-basis stock is a savvy move as you do not realize the capital gain by transferring the asset and charities do not realize gains from selling assets. Reach out to the charity directly to determine the best way to fund

**Donor-Advised Funds:** Maximize your long-term impact by gifting to a Donor-Advised Fund (DAF). These vehicles are well-suited for those who want to make ongoing gifts to charity and want to set up multi-generational giving. Donations can include cash, securities, artwork, and private investments, among others. You receive an itemized deduction in the year you make the gift but you can reinvest the funds within the DAF and can select grants to various organizations over time. For example, if you gift \$50,000 of Apple stock in 2023 there is no requirement to grant any of the funds to a charity in the tax year. You could choose to gift it all in 2023, or you can also choose to parcel it out over the next five or ten years. With the increased standard deduction, a common strategy is to bunch multiple years of donations into one year to maximize the tax benefit.

Contributions to DAFs are irrevocable, while you maintain how the funds are invested and granted, you cannot transfer the funds back into your name. You can make grants to charitable organizations as you see fit, these can be made online or via an app, and there is no requirement to distribute a specific dollar amount or percentage in any given year. Family members and loved ones can be set up as successor trustees to ensure that your legacy of charitable giving continues beyond your lifetime. These accounts are offered through Charles Schwab and many other custodians. They do charge administrative as well as investment costs, so make sure to review them before opening an account.

**Qualified Charitable Distributions:** If you are over 70 ½ and have a tax-deferred retirement account, Qualified Charitable Distributions (QCDs) are another effective way to give. This is

especially true if you do not itemize deductions, as these gifts are above-the-line deductions and you do not have to exceed a specific threshold to receive tax benefits. You can give up to \$100,000 from your IRA, reducing your total required minimum distribution (RMD) and resulting in a dollar-for-dollar deduction. For example, if your RMD is \$25,000 for 2023 and you donate \$15,000, the total income realized from the RMD is \$10,000. Going forward, this \$100,000 will be indexed for inflation and you can give \$105,000 for 2024. To properly qualify the cash donation should be sent directly from the IRA to the charity, it cannot be sent to a bank account first.

### 3. Understand your Deductions

If you are gifting cash or assets be aware of the itemized deduction limits. In 2023 the maximum percentage of your Adjusted Gross Income (AGI) you can deduct is 60% for cash contributions and 30% of AGI for long-term capital gain property. Excess contributions can be carried forward for up to 5 years. Please note in 2020 and 2021 there was a temporary 100% AGI deduction for certain qualified cash contributions, which is no longer applicable. [\[1\]](#)

Certain organizations may also be limited to 50% or 30% of AGI deductions for cash contributions. Confirm with the organization about their deduction percentage or learn more [here](#).

### 4. Track Documentation

Make sure to get records of contributions you have made, no matter the dollar amount. For cash contributions keep records of a bank/credit card statement and a receipt from the charity. For donations over \$250, the IRS requires a letter of acknowledgment from the charity by the date that you file your taxes. [\[2\]](#) QCDs are listed as normal distributions on 1099s, so it is important to list the total amount of RMD and the taxable amount on 1040 lines 4a and 4b. [\[3\]](#) DAFs will provide acknowledgment for each donation, so check with your custodian.

### 5. Know The Deadlines

If you are planning to make donations to a Schwab DAF or are doing a QCD, review the transfer deadlines below. Make sure to review the details if you are using another custodian.

- Transfers for assets held at Schwab must be completed online or via fax by 12/31.
- Checks must be made payable to Schwab Charitable and must be postmarked by 12/31.
- Wires must be received by 4 pm ET on 12/29, check with the financial institution you are wiring from for estimated completion times.
- Securities held in outside accounts typically take 2-6 weeks for processing, and assets must be received by 12/29.
- Call Schwab Charitable at 1-800-746-6216 by 12/8 for more information on donating Cryptocurrency.
- The recipient must cash QCD checks by December 29th. Going forward, this \$100,000 will be indexed for inflation and you can give \$105,000 for 2024.
- Learn more [here](#).

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[\[1\] Charitable Contribution Deductions | Internal Revenue Service.](#)

[\[2\] Topic No. 506, Charitable Contributions | Internal Revenue Service.](#)

[\[3\] Reminder to IRA owners age 70½ or over: Qualified charitable distributions are great options for making tax-free gifts to charity | Internal Revenue Service](#)

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