

Charitable giving and estate planning



Topsail Wealth Management is a marketing name for Independent Advisor Alliance, LLC. All investment advice is offered through Independent Advisor Alliance, LLC, a registered investment adviser.

WHY WE GIVE

Giving is personal and there are many reasons to give...

- A reason close to your heart
- The ability to make a difference
- To invest in something, you love



2021 Bank of America Study of Philanthropy: Charitable Giving by Affluent Households

To support charitable organizations the United States has a tax code that provides multiple avenues for donors to benefit while supporting their charitable causes. These benefits can be utilized today or incorporated into your estate plan.

ONGOING STRATEGIES

- ✓ Donate appreciated non-cash assets instead of cash.
- ✓ Satisfy an IRA Required Minimum Distribution (RMD) through a Qualified Charitable Distribution (QCD).
- ✓ Donate cash from the sale of depreciated securities. Harvesting the loss to offset capital gains.
- ✓ Use a part gift, part sale strategy to offset capital gains tax from investment portfolio rebalancing at year end.
- ✓ Contribute appreciated privately held business interests or real estate.

Discuss charitable giving with your financial advisor and tax professional.

PLANNING: BUNDLING

Hypothetical example Married filing joint No Children	Option 1		Option 2	
Tax year	2021	2022	2021	2022
Charitable deduction	\$10,000	\$10,000	\$20,000	\$0
Other deductions	\$13,000	\$13,000	\$13,000	\$13,000
Total	\$23,000	\$23,000	\$33,000	\$13,000

Standard or Itemized deductions	Standard Deduction	Standard deduction	Itemized deductions	Standard deduction
Deduction amount	\$25,100	\$25,900	\$33,000	\$25,900
Total two-year deductions	\$51,000		\$58,900 (\$7,900 additional tax deduction)	

CONTRIBUTIONS AND DEDUCTION

Contribution type	Valuation	Deduction	% of adjusted gross income (AGI) donor can deduct
Cash or cash equivalents	Amount of the check, electronic bank transfer, or wire received by the charity.	Amount of donation	Up to 60% of AGI
Mutual fund shares	Closing price (net asset value) on the date on which the donor loses control of the donated shares, multiplied by the number of shares donated	If owned for more than 1 year: Fair market value on the valuation date If owned for 1 year or less: Cost basis or current fair market value, whichever is lower	Up to 30% of AGI (if valued at fair market value) ¹ Up to 50% of AGI (if valued at the lesser of the cost basis or fair market value)
Stock or bond shares	Average of the high and low selling prices on the date of contribution, multiplied by the number of units donated	If owned for more than 1 year: Fair market value on the valuation date If owned for 1 year or less: Cost basis or current fair market value, whichever is lower	Up to 30% of AGI (if valued at fair market value) ¹ Up to 50% of AGI (if valued at the lesser of the cost basis or fair market value)

Option 1: Sell XYZ stocks and then donate after-tax proceeds		Option 2: Contribute XYZ stock directly to Charity	
Long-term capital gains taxes paid	\$6,750	0	
Charitable contribution and tax deduction	\$43,250	\$50,000	Additional amount available to grant to charities \$6,750
Tax savings	\$3,630	\$12,000	Additional amount saved on taxes \$8,370

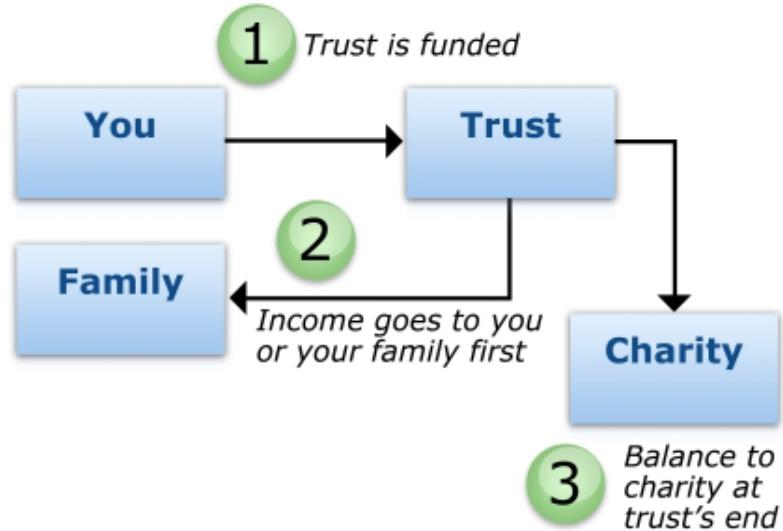
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This hypothetical example is for illustrative purposes. The example does not consider any state or local taxes or Medicare net investment income surtax. The tax savings shown is the tax deduction, multiplied by the donor's income tax rate (24% in this example, minus the long-term capital gain taxes paid).

ADVANCED STRATEGIES

Charitable Lead Trust

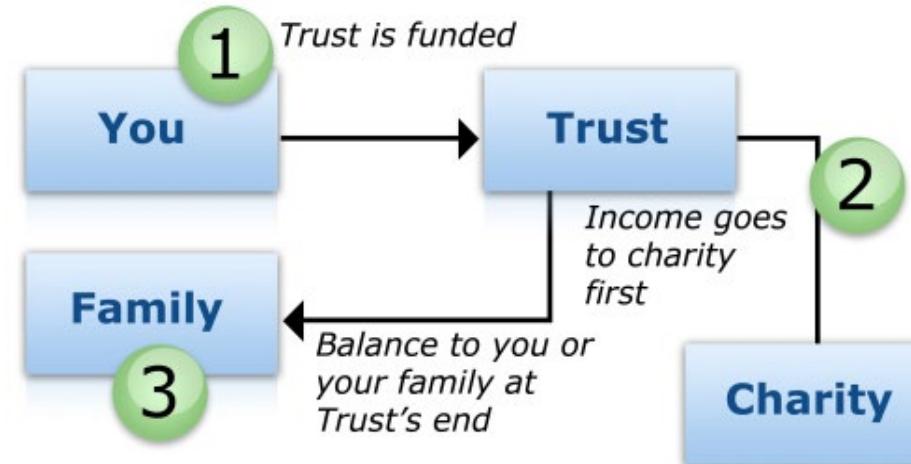
A charitable lead trust is a trust with both charitable and noncharitable beneficiaries. It is called a lead trust because it is the charity that is entitled to the lead interest in the trust property. After a specified term, the remaining trust property passes to you or another noncharitable beneficiary you designate.



Charitable Remainder Trusts

A charitable remainder annuity trust, or CRAT, is a trust with both charitable and noncharitable beneficiaries. Every year for the term of the CRAT, the noncharitable beneficiary receives a payment (the annuity amount) from the trust property. At the end of the trust term, the remaining property passes to the charity. For this reason, the charity's interest is described as a remainder interest.

- Charitable remainder annuity trust (CRAT)
- Charitable remainder unitrust (CRUT)



ESTATE STRATEGIES

- Name a Charity as the Beneficiary of Your Retirement Account
 - It is relatively simple to name the charity as a beneficiary of all or a percentage of your non-Roth retirement accounts (IRA, 401(k), 403(b), etc.).
 - The same rules for naming charities in your will or trust discussed above apply when completing the beneficiary designation form.
 - Because the charity is tax-exempt, after your death it can withdraw the assets from the retirement account without having to pay income taxes on the withdrawal.
- Bequest in your will or revocable trust
 - Charitable bequests are also eligible for the estate tax deduction and will reduce estate taxes.
 - While the federal estate exemption amount is currently \$12.92 million, and not an issue for 99.9% of individuals, 12 states (and the District of Columbia) still have state estate taxes that kick in at lower exemption amounts. In those states, a charitable bequest at your death can help reduce state estate taxes.