



6 Tax Saving Charitable Strategies

(1) Donate Shares of Stock or Other Securities

Rather than giving cash, donations of securities (stocks, mutual funds or bonds) that have appreciated over time provide you an itemized deduction of the fair market value on your federal tax return—up to 30% of the donor's adjusted gross income. There is no capital gains tax owed because the securities are donated, not sold. The greater the appreciation, the larger the tax savings will be.

(2) Set-up a Donor Advised Fund (DAF)

A sponsoring charity DAF (i.e. Fidelity, Schwab, National Christian Foundation, etc.) allows a donor to make contributions of cash, stock shares, collectibles or real estate to a Charitable Gift Fund investment account. You become eligible to take an immediate tax deduction, and then make "grant" recommendations for future distribution, on your timetable, to qualified 501(c) (3) nonprofit public charities. A DAF is relatively easy to set-up and it can be a great way to offset taxes in a year of high earnings, or to address the tax implications of year-end bonuses received.

(3) How to Bypass Tax on Traditional IRA RMD - The Charitable IRA Rollover

If you are age 70½ or older, you must take a Required Minimum Distribution by December 31, 2016 (or by April 1, 2017 if you turned 70½ in 2016). You face a 50% excise tax on any RMD that you fail to take on time. If you rollover your RMD using a Charitable IRA paid directly to a qualified charity -- instead of taking the money and then donating it -- the distribution is not counted as income and therefore is not taxable. Lower adjusted income may benefit you by minimizing your Medicare premiums or lowering the tax levied on your Social Security benefits.

(4) Converting to a Roth IRA? Offset the Tax with a Charitable Donation

Converting to a Roth IRA generally makes sense if your current tax rate is lower than it will be in the years you'll make future withdrawals. Any time you convert a Traditional IRA into a Roth, you will owe taxes that may be significant, on any pretax monies converted. Converting in a year in which you can claim a large tax charitable deduction can be helpful in offsetting the conversion taxes.

(5) Supplement Retirement Income with a Charitable Gift Annuity

Receive fixed payments for life for you and/or your spouse. Rates for an individual, for example, pay 4.7% for life when gifted at age 65, 5.1% at 70, and 6.8% at 80. For a married couple, the annuity pays slightly less but continues to pay the surviving spouse after the first spouse's death. In addition, you receive a charitable tax deduction and the annual income payments to you are partially tax free.

(6) Selling a Business or Appreciated Assets? The CRUT Option

If you are planning to sell a business or appreciated assets, the sale could result in a large capital gain. Charitable Remainder Unitrust (CRUT) provides a way to reduce your tax bill through a current charitable tax deduction in addition to avoiding the capital gains tax. The reinvested trust proceeds fund a stream of yearly income during your life or for a specified term of years. The remainder, usually at your (and/or spouse's) death, is distributed to charity. The asset owner needs to take the necessary steps, with an advisory team, to set-up the CRUT and plan the process in advance prior to securing a buyer.