

Strategic Giving

What does giving have to do with my financial plan?



Stock Gifting

Qualified Charitable Distributions

Donor Advised Funds (DAF)

Strategic givers can receive financial benefits in the form of a reduced tax burden. The Benchmark team considers it an honor to guide you in your charitable giving. We can help you discover ways to be strategic, purposeful, and impactful in your giving. A few of the different charitable vehicles are listed below. Please reach out to Benchmark Wealth Management for more information.

What is stock gifting?

If you have a non-retirement investment account, you can gift appreciated stock to a 501(c)(3) organization that has set up a brokerage account to receive stock gifts. Gifting appreciated stock, that has been held for twelve months or more, can strategically help to avoid the tax liability for both parties. Instead of donating the money after selling the stock (which you have already paid taxes on), you can donate the securities/stocks themselves. This transaction potentially allows the charity to receive a larger donation, the giver receives a nice tax benefit, and the government is left out.

What is a qualified charitable distribution (QCD)?

A QCD is an otherwise taxable IRA distribution that is made to an eligible charity, bypassing the owner of the account. You must be 70 1/2 years or older to be eligible to make a QCD or the distribution will be treated as taxable income.

- Hypothetical example: Janice is 72. She is required to start taking required minimum distributions (RMDs) from her traditional IRA. Normally, those distributions would be taxed at her current tax bracket. However, the distributions will NOT be taxed, if she gifts those distributions to a qualified charity.

If you have to take RMDs but don't really need the money, QCDs can be a good way to use the money. The QCD is not reported as taxable income, which is helpful for those hoping to keep their income within a desired range.

What is a donor-advised fund (DAF)?

A donor-advised fund is a giving vehicle established at a public charity that allows donors to make charitable contributions, receive a tax deduction in the year you contribute, and then recommend grants from the fund over time. Donors can make irrevocable contributions such as personal assets, including cash, stock, and real estate. This is a partial list of possible donations.

Your contribution is invested and grows tax-free.

Here are some tax considerations you should keep in mind when giving.

Annual Gift Tax Exclusion

The amount of money you can give to one person in a given year, without have to pay a gift tax, changes yearly. If you are married, you and your spouse can each gift up to the IRS limit to any one recipient each year.

If you gift more than the exclusion to a recipient, you will need to file tax forms to disclose those gifts to the IRS. However, you won't have to pay taxes as long as you haven't hit the lifetime gift tax exemption.

Lifetime Gifting Exclusion

This is the amount of money or assets that the IRS allows you to gift during the course of your lifetime without having to pay federal taxes. This limit is adjusted each year. Because the limit is so high, most taxpayers won't ever pay a gift tax; but if the opportunity does arise to give a sizeable gift, it's important to understand the laws surrounding the gift tax.

Who pays the gift tax?

The donor pays the gift tax, not the recipient. However, recipients may face capital gains tax if they sell gifted property down the line.

Which gifts are excluded from tax?

Anything given to a spouse who is a US citizen, anything given to a dependent, charitable donations, political donations, and tuition paid directly to an educational institution on behalf of someone else is excluded.

How do I pay gift tax?

Report your gift to the IRS (form 709) along with the rest of your tax return. Complete this every time you gift in excess of the annual gift exclusion - even if you are within the lifetime limit. The IRS will lower your remaining lifetime exclusion over time and use that amount to determine how much of your estate you need to pay estate tax on.

Who should I give to?

Consider organizations close to your heart and close to your home. (1) Ensure the organization is an IRS-approved charity. (2) Ask for financial reports. A non-profit should be willing and able to share its 990 tax form with you. (3) Find out what percentage of the organization's annual funds go directly to support its mission. Some standards suggest at least 60% of the revenue should go to mission-related activities and no more than 40% should go to administrative expenses. (4) Ask for program results. Request reports that measure results of the organization's work during the past year.

Gifting Long-Term Appreciated Securities

If you are charitably minded and have a gain in stock or mutual fund, the strategy of donating long-term appreciated assets may be something to consider. When you donate shares of appreciated securities to a qualified charitable organization, they receive the benefit of your gift, and you don't pay taxes on the gain. Then you use the cash you would've otherwise donated to the charity and invest it into more stock to repeat the process when that mutual fund or stock appreciates.

The process is simple-- call our office and tell us you would like to donate appreciated securities. When you call, it would be helpful if you have the following information:

- Name of the qualified charitable organization
- The approximate dollar amount you would like to donate
- The name of the brokerage firm that holds the charity's investment account
- The charity's investment account number
- The charity's DTC number

If you don't have some of this information, we're happy to call the organization on your behalf to request it. We will email you a form via DocuSign to gift the appreciated security to the charity. Once you sign the form, those shares will be sent electronically to the brokerage firm of the charity. They will immediately sell the shares for cash. We will mail you a confirmation letter and a letter to the charity to include your name, amount of your donation, and any specific designations.

Gifting from your Required Minimum Distribution (RMD) aka Qualified Charitable Distribution

If you are charitably minded, have an IRA, and are 72 or older, you can gift all or a portion of your RMD up to \$100,000 to a qualified charitable organization. This lowers the taxable portion of your RMD and is called Qualified Charitable Distribution.

The process is simple -- call our office and tell us you would like to make a QCD to a qualified charitable organization. When you call, it would be helpful if you have the follow information:

- Name of the qualified charitable organization
- The mailing address of the qualified charitable organization
- The dollar amount you would like to donate

If you don't have some of this information, we are happy to call the organization on your behalf and request it. We will raise cash in your IRA and email you a form to sign via DocuSign to send a check to the charity. Once you sign the form, a check will be mailed to the charity from your IRA on your behalf. We will mail you a confirmation letter and a letter to the charity to include your name, the amount of your donation, and any specific designations.