

Boost the Impact of Charitable Giving

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For years, charitable giving has been one of my personal passions. I currently serve as a board member for and advise numerous private family foundations, and I have served as Chairman of the Board for a local community foundation dedicated to offering charitable giving advice. In my work helping individuals and families optimize their giving strategies, one of the most effective ways I've seen to ensure the greatest impact to charitable organizations while also achieving significant tax savings is to gift appreciated stock using a [Donor Advised Fund](#), or DAF. It's a strategy that does an amazing job at what I call "combining a legacy of dollars with a legacy of values."

There are five key advantages of this approach...

1. By contributing appreciated stock that you have owned for over a year directly to a DAF, you can potentially eliminate capital gains taxes—a major consideration for many investors when stocks are at all-time highs. (Note that a DAF also allows you to contribute other non-cash assets such as art, real estate, part ownership of a private company, and partnerships or limited partnership shares.)
2. Under the new tax law, higher standard deductions have made it more challenging to receive tax benefits from charitable donations. A DAF allows you to “bunch” multiple years of gifts into a single tax year by making a lump-sum donation in the current tax year, potentially pushing you above the standard deduction.
3. When you give to a DAF, your shares are typically sold immediately, the cash is credited to your DAF, and those assets are typically invested in a cash or market instrument. That means that even though you receive the full tax credit in the year the gift was made, you can hold the assets in the DAF for as long (or as little) as you like before donating it to your charities of choice.
4. A DAF can help you boost your giving power. Unlike [restricted endowment funds](#) which restrict annual giving to 5% of the fund, DAFs allow you to give away up to 100% of the funds at any time, giving you complete control over when and how much you give to your favorite [501\(c\)\(3\)](#) charities.
5. While other types of charitable funds can be challenging to set up and administer, foundations like [Schwab Charitable](#) and the [Jewish Community Foundation of Orange County](#) make it quite simple to set up a DAF. Of course, it's always recommended to work closely with a trusted tax advisor and your investment manager to manage the details.

To understand how this strategy can work in the real world, here's how we helped one couple use it to combine a legacy of dollars with a legacy of meaningful values to create a small miracle:

Don and Jane wanted to increase their gifts to [City of Hope](#) (which holds a special place in their heart because of the miracle cancer treatments they practice) and a handful of other charities. That dream became very real when they received a major windfall of appreciated stock. A company in which they held over \$1,000,000 of shares with a cost basis less than \$100,000 was being bought out. Because the tax hit on the transaction would have been significant, contributing a significant amount of their shares to a DAF made perfect sense tax-wise, and it enabled them to reach their gifting goals. We collaborated with their CPA to create the*

fund, and we worked out a plan for them to save on the capital gains tax, dramatically reduce their current-year tax bill, and stretch out their charitable giving for many years to come.

The holidays are a wonderful time to give—and the perfect time to optimize your gifts from a tax perspective. How fitting that generous giving can offer much-needed support to the people and organizations that need it most and reward the giver both emotionally and financially! To explore how gifting appreciated stock through a DAF can help you, too, give purposefully and reduce your tax bill for the year, contact us today.

** The names and specifics of our clients have been changed to ensure their privacy.*