FINANCIALLY PRUDENT PHILANTHROPY: YOUR GUIDE TO CHARITABLE CONTRIBUTIONS

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FINANCIAL

Estate planning, often perceived as a task for the wealthy or elderly, is a crucial aspect of financial prudence that goes beyond distributing assets among heirs. It’s an opportunity to leave a lasting legacy that extends far beyond your lifetime and makes a meaningful impact on causes you hold dear.

Approach estate planning with a forward-thinking mindset – it’s not solely about distributing assets; it's about crafting a legacy thatreflects your values and ensuring that your wishes are carried out after your death. By earmarking a portion of your assets for philanthropic causes, you can support the causes you’re passionate about and even benefit financially.

Regardless of your financial standing, whether you have significant wealth or modest assets, if you aspire to make a positive impact on the world, there are various avenues of philanthropy open to you. And charitable contributions may be eligible fortax deductions, potentially reducing the overall tax burden on your estate. In this guide, we’ll explore your options, from direct donations to charitable trusts, donor-advised funds, and legacy gifts…

DIRECT DONATIONS

Direct donations remain the most straightforward and immediate way to support charitable causes. You can contribute cash, checks, or electronic transfers directly to a chosen charity. This method offers the advantage of simplicity and flexibility, allowing you to support causes close to your heart without the need for complex structures.

However, it's crucial to approach direct donations with a strategic mindset. Consider aligning your charitable contributions with your financial goals and tax planning. Also, take the time to research and evaluate the organizations you wish to support. Transparency, accountability, and mission alignment should be key criteria in your decision-making process. Establishing a personal connection with the charities ensures that your contributions create a meaningful impact.

CHARITABLE TRUSTS

For those looking to create a lasting impact while enjoying potential tax benefits, establishing a charitable trust can be a prudent choice. Charitable trusts are legal entities that allow you to donate assets while retaining control over the distribution and investment of those assets. There are two main types of charitable trusts:

- Charitable Remainder Trusts (CRTs) provide a source of income for the donor or beneficiaries for a specified period, typically the donor's lifetime or a set number of years. After this period, the remaining assets are directed to the chosen charitable organization or foundation. This allows individuals to support a cause while still benefiting from income generated by the trust during their lifetime.

- In contrast, Charitable Lead Trusts (CLTs) distribute income to a charitable organization for a predetermined period, after which the remaining assets are passed on to the donor's heirs. This can be a strategic way to support philanthropy during a specific timeframe while still preserving wealth for the next generation.

By carefully structuring a charitable trust, you can support charitable causes,receive potential income tax deductions, and even pass on assets to your heirs while minimizing estate taxes.

DONOR-ADVISED FUNDS

Donor-advised funds (DAFs) have gained popularity for their convenience, simplicity, and strategic approach to charitable giving. These funds allow you to make tax-deductible contributions to an account, from which you can recommend grants to your preferred causes and charitable organizations overtime.

The key advantage of DAFs lies in the ability to separate the timing of the donation from the decision-making process of distributing funds. This flexibility enables donors to make contributions during high-income years while strategically distributing funds to charities in years with lower taxable income.

LEGACY GIFTS

Legacy charitable gifts involve including charitable contributions in your estate planning to leave a lasting impact on the causes you hold dear. Methods such as bequests in wills, charitable remainder trusts (CRTs), and charitable gift annuities allow you to support charitable causes while ensuring financial security for yourself and your loved ones.

When considering legacy charitable gifts, it's crucial to work with legal and financial professionals to navigate the complexities of estate planning. Ensuring that yourintentions are clearly articulated and legally binding is essential to guarantee that yourlegacy aligns with your philanthropic vision.

GIFTS OF STOCK AND ASSETS

Contributing appreciated stock or other assets can be an efficient way to maximize the impact of your charitable contributions while minimizing tax implications. When you donate appreciated assets, you may be eligible for a charitable deduction equal to the fair market value of the assets, and you can potentially avoid capital gains taxes. Before making such donations, it's important to consult with a financial advisor t o assess the tax implications and ensure compliance with regulations.

QUALIFIED CHARITABLE DISTRIBUTIONS

As you approach the age of 70½ and face Required Minimum Distributions (RMDs) from your retirement accounts, a powerful yet often underutilized tool comes into play: Qualified Charitable Distributions (QCDs). QCDs allow you (if you're aged 70½ or older) to directly transfer up to $105,000 annually from your Individual Retirement Account (IRA) to eligible charitable organizations.

One of the primary advantages of QCDs lies in their ability to fulfil your RMDs without adding to your taxable income. Instead of taking the RMD as ordinary income, which could potentially push you into a higher tax bracket, a QCD satisfies this requirement while keeping your adjusted gross income lower. This is a win-win for you and the causes you care about.

It's important to note that not all charitable organizations qualify for QCDs. Eligible entities include public charities and certain private foundations, but donor-advised funds and supporting organizations are generally excluded. The annual limit for QCDs is set at $105,000 per taxpayer. While this limit applies per individual, married couples filing jointly can potentially contribute up to $210,000.

A PURPOSEFUL APPROACH TO PHILANTHROPY

At 4 Point Financial, we believe that by carefully planning your charitable contributions, you can align your financial goals with your desire to make a positive difference in the world. Contact us at info@4-pointfinancial.com or give us a call on 781-894-0488 to schedule a consultation. Through thoughtful planning and strategic giving, you can leave a legacy that extends far beyond your lifetime, making a lasting impact on the world.

Neither 4 Point Financial nor NYLIFE Securities LLC or any of their representatives provides tax, legal or accounting advice. Please consult your own tax, legal, or account professional before making any decisions.

REFERENCE LINKS

https://www.fidelitycharitable.org/guidance/charitable-tax-strategies/charitable-contributions.html

https://www.nerdwallet.com/article/investing/estate-planning/charitable-trust-remainder

https://www.nerdwallet.com/article/investing/estate-planning/charitable-lead-trust

https://www.forbes.com/sites/ashleaebeling/2018/04/10/what-beats-a-charitable-bequest-under-the-new-tax-law/?sh=43706a3053c0

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