Everyone Wins When You Make Charitable Gifts

It's Thanksgiving time again. Like everyone else, you probably have many things in your life for which you are thankful. And you may want to show your appreciation for what you have by making a gift to a charitable organization. If you do, both you and the charitable group can come out ahead.

Of course, it's no secret that 2009 has been an unusual year for the economy, with most of us feeling the effects of the recession in one way or another. Consequently, you may believe you can't really afford to make charitable gifts right now. But there's probably never been a more urgent need for these gifts, as the distressed economy has led to a decline in contributions for charities across the country. Furthermore, your charitable gift can provide you with some distinct economic advantages.

Specifically, by making charitable contributions, you can gain these tax benefits:

• *You can take an immediate tax deduction.* If you itemize your taxes, you can deduct your contributions to charitable organizations as long as they are "tax-qualified." (Be sure to ask the organization if it has tax-qualified status.) Your tax deductions for charitable contributions are generally limited to 50% of your adjusted gross income. (If you want to claim a deduction for the 2009 tax year, you'll need to make your contribution before Jan. 1.)

• *You can avoid capital gains taxes.* If you want to support a charitable group, you're not limited to making cash contributions — you can also donate other assets, such as stocks or real estate. If you've held these assets for a long time, their value may have risen considerably. If you were to sell appreciated assets, you'd have to pay capital gains taxes on your profits. But if you donated these assets, you could avoid the capital gains liability while still claiming the tax deduction.

• *You can remove assets from your taxable estate.* In 2010, the estate tax is repealed, but it will be back in 2011. Estate taxes can be heavy, and if your heirs aren't prepared for them, they may have to sell assets to pay them. To possibly help avoid this problem, you may want to reduce the value of your taxable estate. One way to do this — and also receive an immediate income tax deduction — is to donate assets, such as investments and property, to a charitable group. If you want to still enjoy the benefits of these assets while you're alive, you could transfer them to a charitable remainder trust, which would then sell them and reinvest the proceeds, out of which you could receive an income stream for life. Upon your death, the charity you have designated will receive the remainder of the trust's assets. (To properly establish this type of trust, you'll need to work with a qualified legal advisor.)

As you can see, the old saying "when you give, you also receive" is certainly true when it comes to making charitable donations. So during this holiday season, be as generous as possible — to charitable groups *and* to yourself.

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