Charitable giving:

Structuring your strategy to meet your goals

Zach Gildehaus, CFA, CFP®, CEPA
Senior Analyst, Client Needs Research

When it comes to charitable giving, how and when you give matters just as much as what you give. Being strategic in choosing which assets to give and how to structure your giving goals can be beneficial for you and the charity.

Lifetime giving

How and when to give: Strategies for giving during your lifetime

Many people choose to make charitable donations during their lifetimes because they see the impact of their gifts, and it generally entitles them to an immediate tax deduction. A potential downside is that you must irrevocably part with the money, so it can no longer be used for other financial needs.

Periodic, outright giving

The most common way to give to charity is through periodic, outright gifts during an individual's life. This can be accomplished through giving cash, appreciated securities, or physical property — such as real estate — directly to a charity. While it is often the most convenient and expedient means of giving, it may not be the most tax-efficient way to give, and the donor retains no beneficial interest in or control of the assets. If you desire a higher degree of control over how the assets are managed or used, other charitable resources, such as a donor advised fund, may be more appropriate.

Stacking, outright giving

If you have a multi-year giving plan but don't expect to be over the standard deduction amount ($27,700 in 2023 for married filing jointly, $13,850 single), consider "stacking" several years' worth of giving into a single year. By doing this, you may be able to realize greater tax savings by itemizing this year and then taking the standard deduction in subsequent years as planned.

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As an example, someone who plans to give $10,000 in each of the next three years may not realize the benefits of itemizing. However, by stacking these gifts into a single year, they will be over the threshold to itemize and they can still take the standard deduction in the next two years.

	Not stacking donations		Stacking donations	
	Charitable giving	Tax deduction	Charitable giving	Tax deduction
Year 1	$10,000	$27,700	$30,000	$30,000
Year 2	$10,000	$27,700	$0	$27,700
Year 3	$10,000	$27,700	$0	$27,700
Total	$30,000	$83,100	$30,000	$85,400

Assumes married filing jointly, the standard deduction is claimed if total itemized deductions are less than the standard deduction amount and the 2023 standard deduction amount is held constant for the three-year period.

This strategy is especially useful in years your income is higher than it's expected to be going forward (e.g., if you sold a business, executed a Roth conversion or are approaching retirement). Typically, in high-income years, your marginal tax rate is also higher, so the benefits from charitable giving in those years would be greater than in subsequent, lower-income years.

Donor-advised fund (DAF)

The Edward Jones Charitable Gift Fund, a donor-advised fund, provides the potential for an immediate tax deduction for your irrevocable donation to the fund. In addition, you'll have the opportunity to advise on how the money is invested, when the funds are granted, and which charities receive grants. Since the money is invested, you have the potential to grow your charitable impact over time. The higher level of ongoing control allows several benefits, such as:

- The ability to evaluate charities over time
- Share your giving values with loved ones
- Leave a legacy of charitable giving

By aggregating multiple years' worth of planned charitable giving into a single DAF donation, you may be able to realize greater tax benefits while still meeting your annual giving goals. While a DAF is generally thought of as a lifetime giving strategy, you are able to name a successor advisor, such as an heir, to continue in your spirit of giving, or you can direct the DAF to distribute the funds after you pass to the charities you choose. Others opt to leave assets to a DAF at their death to allow their families to make an impact in their name.

Giving via a complex charitable channel

If you're looking for more control over how your charitable dollars are invested and when the funds are disbursed to charity, you have choices. For example, a charitable remainder trust has the potential to supply you with a lifetime income stream while benefiting your chosen charities. This more complex strategy should be executed collaboratively by your financial advisor, tax preparer and legal professional.

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What to give: Selecting which assets to give during your lifetime

Cash

Giving cash directly to an organization is the most common and easiest way to give to charity. When giving cash, you're generally allowed to deduct the full amount of the gift (up to 60% of your adjusted gross income (AGI) to public charities and 30% to private foundations). While cash is easy to give, it may not provide the most tax benefits as compared to other assets.

Appreciated securities

Giving long-term, appreciated securities — such as stock — has a dual tax benefit. First, you are entitled to an income tax deduction for the full market value of the securities on the date of transfer (up to 30% of your AGI for gifts to public charities, or 20% to private foundations). Second, neither you nor the receiving charity recognizes and pays any capital gains on the transfer. This means the charity receives more money and you receive a higher income tax deduction.

Giving $100,000 of stock with $90,000 of long-term capital gains to charity

	If you give it to charity	If you sell it for cash
Capital gains tax[1]	$0	$18,000
Amount given to charity	$100,000	$82,000

[1] Assumes 20% capital gains tax rate

An opportune time to donate appreciated securities is during portfolio rebalancing in your taxable account. For example, a security that has increased in value may need to be sold to rebalance the portfolio, and the proceeds from the sale would then be used to purchase other securities. This would incur a taxable gain. Instead, you could donate the appreciated security, reducing its weight in your portfolio, and then use cash to purchase other securities. Not only does this option rebalance your portfolio, but it also minimizes your tax consequences and maximizes your charitable contribution.

Proceed with caution

- **Short-term gains:** Be careful not to donate securities held for one year or less. The amount of the deduction is limited to the amount you paid for the security rather than its current value.
- **Loss property:** Similarly, securities that have incurred a loss should not be donated. These securities can be sold, the cash proceeds donated, and this taxable loss can then be used to offset other taxable gains in your portfolio.

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QCDs and IRA assets

Donating assets given directly from a traditional or Roth IRA to a qualified charitable organization (or, in some cases, to a charitable trust or annuity) is called a qualified charitable distribution (QCD). These are an option if you're age 70½ or older at the time of distribution. A QCD generally does not increase your adjusted gross income (AGI) and can satisfy your required minimum distribution (RMD). A lower AGI may result in a lower overall tax bill, making QCDs an attractive giving strategy. You can exclude up to $100,000 (in 2023, indexed annually) of QCDs from your taxable income per taxpayer per year. QCDs are available regardless of whether you itemize your income taxes. As part of the SECURE 2.0 Act and beginning in 2023, individuals can make a one-time distribution up to $50,000 to certain charitable trusts or annuities.* Other giving vehicles such as donor-advised funds are prohibited from accepting QCDs.

*Although we are awaiting regulatory guidance, we believe the $50,000 allowance is a subset of the $100,000 of QCDs that can be excluded from income annually.

A closer look: RMDs and QCDs

Required minimum distributions (RMDs)
Traditional retirement accounts, such as 401(k)s or IRAs, generally require account owners to start taking taxable distributions at age 73. The amount that must be taken each year is based on their age and the prior year's ending account value.

Qualified charitable deduction (QCD)
People who are charitably inclined with traditional IRAs can elect to send money directly to a charity (or, in some cases, to a charitable trust or annuity) from their retirement account in the form of a QCD. QCDs can offset RMDs. This allows you not to recognize the income or pay the associated taxes.

Other assets

You may also be able to donate real estate, business interests, tangible personal property such as collectibles, or ordinary-income property such as inventory. The rules and considerations around donating these types of assets can be more complex and may require an independent appraisal and specialized tax services.

Proceed with caution

- Making deductible contributions to your IRA during or after the year you reach age 70½ will result in a dollar-for-dollar reduction in the tax deductibility of future QCDs. For example, if someone who is 71 makes a tax-deductible IRA contribution of $1,000, and then later does a QCD of $2,000, the first $1,000 of the QCD will be taxable even if the contribution and QCD are made in different tax years.
- Employer-sponsored retirement accounts: Giving from your employer-sponsored retirement account does not qualify for QCDs. This means a distribution will result in taxable income, reducing the amount you give to charity. QCDs cannot be made from employer-sponsored retirement plans, including SEP and SIMPLE IRAs. But, you may be able to roll over or transfer your employer-sponsored retirement account to a traditional or Roth IRA. While this may enable you to implement QCDs, there may be other considerations, such as losing the ability to delay RMDs with a current employer's plan. You'll want to discuss the tradeoffs with your financial advisor before moving your assets.
- Roth IRAs: It's less beneficial to give from Roth IRAs. These accounts do not have required distributions during the owner's lifetime, and distributions from the account are already generally tax free. All else being equal, it would be preferrable to give assets from a traditional IRA.

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Testamentary giving (giving at death)

How to give: Strategies for leaving assets to charity

Giving to charity at the time of your passing allows you to maintain control of the assets during your life, should you need them. Your estate is eligible for an unlimited charitable tax deduction, so giving can reduce your heirs' estate tax liability.

Will

A will can provide the opportunity to give instructions for how you want your assets to be distributed after you pass, including making an outright, testamentary gift to a charity. Because estates are eligible for unlimited charitable tax deductions, this can be a good way to help minimize potential estate taxes. Wills can be combined with other, more complex giving methods (such as DAFs, charitable trusts and foundations) to offer additional benefits while preserving the charitable deduction for your estate. Wills are subject to the probate process.

What is probate?

Probate is a legal process that provides for the orderly distribution of a deceased person's assets. The process is part of the public record — meaning others can see how assets were distributed, and depending on the estate, it can be costly and take time.

Beneficiary designation

Beneficiary designations are specific to individual accounts and are only available on certain account types such as retirement accounts, life insurance policies and annuity contracts. The designation identifies the individual(s) or entities you want the assets to transfer to upon your death. Beneficiary designations typically bypass the probate process, and they supersede a will. This means in the event of disagreement between your will and the beneficiary designation, the beneficiary will receive the assets. As with wills, beneficiary designations can be paired with more complex charitable strategies (such as naming a DAF as the beneficiary to your IRA).

Transfer-on-death (TOD)/ Payable-on-death (POD)

A TOD agreement acts much like a beneficiary designation but is used for brokerage and bank accounts. It directs the financial institution on how to distribute money in your accounts. It will generally avoid the probate process and supersedes a will.

Updating beneficiary designation, TOD and POD

It's important to update these periodically to ensure they reflect your current wishes.

Leaving assets via a complex charitable channel

While the strategies discussed here are the most common, there are other giving tools such as a charitable remainder trust or charitable lead trust. These might warrant consideration if you desire more control over or flexibility in charitable giving. Your financial advisor can help you think through all the charitable giving options and develop a strategy for your unique needs.

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What to give: Selecting which assets to leave to charity

Cash

Cash can be transferred directly to the charity of your choice at your death and is eligible for an unlimited charitable deduction for your estate. In some instances, estates need cash and other liquid assets to settle debts or cover other expenses. It's advisable to ensure your estate has sufficient liquidity to cover these expenses, as well as your charitable giving goals.

Appreciated securities

Appreciated securities, such as those in a taxable account, are eligible for a step-up in cost basis when left to an heir. This means the security is revalued for tax purposes at your death. This new value becomes your heir's basis from which any gain or loss is calculated and effectively wipes away your taxable gains. If you wish to transfer wealth to heirs and charity, appreciated securities may be more beneficial to your heirs when compared to other assets, so it may be less advisable to leave them to charity in this circumstance.

Individual retirement accounts (IRAs)

Depending on the type of retirement account, it may be a more or less beneficial means of passing money to charity and depends on whether you wish to leave money to non-charitable heirs, as well as your relationship with heirs.

- **Traditional:** Historically, traditional retirement accounts were a great tool for leaving money to heirs, but legislative changes in 2019 diminished their attractiveness as a means for wealth transfer to non-eligible beneficiaries. However, these accounts have become a more attractive option for charitable giving.
- **Roth:** Because Roth accounts offer tax-free withdrawals to your heirs, they are ideal for wealth transfer and a less attractive option for giving to charity.

Eligible designated beneficiaries include:

- Spouse of the account holder
- Those who have a disability or chronic illness at the time of the account holder's death
- Those not more than 10 years younger than the account holder
- Minor children of the account holder (until minor reaches age of majority)

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Life insurance

If you wish to bequest a specific dollar amount to charity, funding a life insurance policy during your life and naming the charity as beneficiary may be a good option. Life insurance policies allow for multiple beneficiaries, so you can split proceeds among multiple charitable and/or non-charitable beneficiaries. If properly structured, proceeds from the policy paid to a charity are not subject to estate taxes.

You could also consider giving assets to charity during your lifetime and naming your heirs as the beneficiaries of a life insurance policy. This allows you to get an immediate income tax deduction, see the benefit of your donations during your lifetime and provide your heirs with tax-free proceeds of the life insurance policy.

Other assets

Assets such as real estate, a private business interest or collectibles can have a complex set of considerations. For example, you should determine if you'd rather your business be run by your children or liquidated to support a charity. While you may wish to keep a property in the family, maintenance costs and real estate taxes may create challenges for your heirs to keep it, which might make it more desirable to donate. Due to the complexity of these assets — especially private businesses — some charities may not be willing to accept them. Decisions on how to handle complex assets can be made with the guidance of your financial advisor and tax and legal professionals.

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The chart below explores assets you may consider giving to charity during your lifetime and the relative tax benefits for you. There may be additional trade-offs you wish to consider when planning your giving strategy, such as your desire to keep a particular asset, your need to maintain a certain level of liquidity, a charity's willingness to accept a particular asset or maintaining less complexity in charitable giving.

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Considerations for asset distribution during your lifetime

Asset	Benefits of giving to charity	Considerations
Consider these assets first		
Qualified charitable distributions from traditional IRAs	• Distributions from an IRA to you are generally taxable at ordinary income rates. A QCD (distributed directly from your IRA to a qualified charity or, in some cases and limited to a one-time $50,000 distribution, to a charitable trust or annuity) is excluded from your income, which may reduce your income taxes (up to $100,000, indexed annually, per taxpayer per year). • Can offset your RMDs. • Giving large amounts today may help manage the size of future RMDs.	• Must be 70½ or older at time of distribution • Tax-deductible contributions made during or after the year you reach age 70½ offset the tax benefit of future QCDs. • SEPs, SIMPLEs and 401(k)s are not eligible for QCDs, but could be moved to a traditional IRA that does allow them. • Consider giving appreciated securities before a QCD (or limiting QCD to RMD amount) if you have a concentrated position in a taxable account.
Appreciated securities held for more than one year	• You don't have to pay taxes on any capital gains. • Current year income tax deduction based on current market value (up to 30% of AGI)[1]	• Giving appreciated securities has the potential to throw off your asset allocation (mix of investments you own). This may cause you to take on a level of risk that is not aligned with your goals, and require you to reallocate your investments. This reallocation may cause you to realize taxable gains, offsetting the benefit of giving the original securities to charity.
Tangible personal property used by charity for its primary charitable purpose (works of art, jewelry, collectibles used by charity for its primary function — e.g., artwork donated to a museum)	• You don't have to pay taxes on any capital gains. • Current year income tax deduction based on current market value (up to 30% of AGI)[1]	• If the charity is selling the property, your tax deduction is limited to what you paid for it versus its current value. • The item may need appraisal.

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Consider these assets next		
Cash	• Current income tax deduction (up to 60% of AGI)[2] • Universally accepted by charities	• Ensure you maintain enough cash for living expenses, an emergency fund and investment account liquidity. • Not maintaining enough cash and selling securities for cash later could result in capital gains and reduce benefits.
Consider these assets last		
Traditional employer plan (e.g., 401(k)) distribution	• Distribution would be in cash and have the same benefits.	• Retirement accounts eligible for QCDs should be considered first. • If you would like to make QCDs with this money, consider rolling this account into an IRA. • The distribution would increase your adjusted gross income and potentially your taxes owed. • If given before 59½, you may incur a 10% penalty in addition to being taxed. • You would be giving up potential tax-deferred growth.
Roth distribution (IRA and employer plan)	• Distribution would be in cash and have the same benefits.	• You would give up potential tax-free growth by giving these assets. • Distributions may be subject to taxes and penalties if taken before age 59½, and account must be open at least 5 years.
Avoid giving these assets		
Tangible personal property sold by the charity in the same tax year it was given	• Current year tax deduction (up to 60% of AGI)[2]	• Deduction is limited to your basis (what you paid for it) versus what it's currently worth if sold by the charity.
Ordinary-income property (e.g., personally created works of art, inventory, securities held one year or less)	• Current year tax deduction (up to 60% of AGI)[2]	• Deduction is limited to your basis (what you paid for it). • Holding short-term securities for at least 12 months allows them to be treated as appreciated securities, which enhances their tax benefit.
Loss property	• Current year tax deduction (up to 60% of AGI)[2]	• It's better to sell the security, donate the proceeds and use the realized loss to offset other taxable gains.

[1] 30% is the aggregate limit for appreciated securities and tangible personal property used by a charity.

[2] 60% is the aggregate limit for cash, ordinary income property, tangible personal property sold by a charity and loss property.

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This chart explores relative tax benefits for your heirs when you donate assets at your death. There may be additional tradeoffs you wish to consider when planning your giving strategy, such as a charity's willingness to accept a particular asset, your desire to keep a particular asset in the family, your desire to pass more liquid assets to your heirs or maintaining less complexity in your charitable giving.

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Considerations for asset distribution at death

Asset	Benefits of giving to charity	Considerations
Consider these assets first		
Traditional retirement accounts (if alternative is to leave to a non-eligible designated beneficiary[1])	• If not given to charity, assets would be taxed at heir's income tax rates when distributed from the account, which generally makes it more attractive for charitable giving and less attractive for heirs. • If given to a non-eligible designated beneficiary (versus charity), the account must be depleted within 10 years, increasing the beneficiary's taxable income. • Gift qualifies for an unlimited estate-tax deduction, reducing the size of your taxable estate (if your estate is taxable).	• If it's your primary source of wealth and you want to leave money to a non-charitable beneficiary, this can still be a good option for heirs.
Consider these assets next		
Securities	• Gift qualifies for an unlimited estate-tax deduction, reducing the size of your taxable estate (if your estate is taxable).	• The cost basis of securities is revalued at the time of the owner's death and considered to be held long term by your heir, eliminating existing capital gains. • Easy for heirs to liquidate if they need cash • May not be accepted by all charities • May include securities you'd rather keep in the family
Tangible personal property (e.g., works of art, jewelry, other collectibles)	• Gift qualifies for an unlimited estate-tax deduction, reducing the size of your taxable estate (if your estate is taxable). • These items may be difficult for your heirs to liquidate, making them more attractive to give to charity.	• The cost basis of securities is revalued at the time of the owner's death and considered to be held long term by your heir(s). • May need appraisal • May not be accepted by all charities • May include items you would rather keep in the family
Ordinary-income property (e.g., personally created works of art, inventory)	• Gift qualifies for an unlimited estate-tax deduction, reducing the size of your taxable estate (if your estate is taxable). • These items may be difficult for your heirs to liquidate, making them more attractive to give to charity.	• The cost basis of securities is revalued at the time of the owner's death and considered to be held long term by your heir(s). • May not be accepted by all charities. • May include items you would rather keep in the family.

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Life insurance proceeds	• Good way to leave a specific amount to a charity • Can change the beneficiary if you choose • Avoids probate • Gift qualifies for an unlimited estate tax deduction, reducing the size of your taxable estate (if your estate is taxable).	• Must ensure policy is still in place at your death • Provides liquidity (cash) to your heirs • Life insurance proceeds are tax free to your heirs. • If the policy is owned by an irrevocable life insurance trust (ILIT), the death benefit is excluded from your taxable estate. • Over longer periods, it's possible investing the premium amount could yield a greater amount than the death benefit.
Cash	• Gift qualifies for an unlimited estate tax deduction, reducing the size of your taxable estate (if your estate is taxable). • Universally accepted by charities	• Easy for heirs to access and use. • Ensure you maintain enough cash to meet final expenses; not maintaining enough cash could result in the forced liquidation of other securities.
Consider these assets last		
Traditional retirement accounts (if the alternative is to give to an eligible designated beneficiary[1])	• If not given to charity, assets would be taxed at heirs' income tax rates when distributed from the account, which generally makes it more attractive for charitable giving and less attractive for heirs. • Gift qualifies for an unlimited estate tax deduction, reducing the size of your taxable estate (if your estate is taxable).	• If given to an eligible designated beneficiary instead, the beneficiary can generally stretch the required distributions over their life expectancy and keep the assets tax-sheltered longer. The fewer the number of years the beneficiary is expected to stretch, though, the less beneficial it is to leave these assets to your heirs. • A spouse has the additional benefit of deferring distributions until age 73, potentially allowing the account to grow tax deferred for a longer period of time. • A minor child is only able to stretch distributions until the age of majority (typically 21) and must fully distribute the account by 10 years after reaching age of majority. This limits the number of years a minor child can stretch distributions.
Roth accounts	• Gift qualifies for an unlimited estate tax deduction, reducing the size of your taxable estate (if your estate is taxable).	• If given to a non-eligible designated beneficiary,[1] they can get 10 years of tax-sheltered growth, and withdrawals are tax free. • If given to an eligible designated beneficiary,[1] they can generally stretch required distributions over their life expectancy, potentially extending the period of tax-sheltered growth, and withdrawals are tax free.

[1] Eligible designated beneficiaries include spouse of account holder, those who have a disability or chronic illness at time of the account holder's death, those not more than 10 years younger than the account holder, and minor children of account holder (until minor reaches age of majority).

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