



THE BAM ALLIANCE

A Community of Independent Advisors

Stretch Your Charitable Dollars

Make the Most of Year-End Giving Opportunities

The end of the year is a time of sharing and generosity. According to charitynavigator.org, about 40 percent of charitable giving occurs between Thanksgiving and New Year's.

2013 Tax Changes Possible

We may see an even greater year-end spike in 2012 due to potential tax reforms. One option being considered as the fiscal cliff looms is to reduce the tax break on charitable gifts for those taxed at the highest rates. For instance, a couple in the 35 percent tax bracket may be limited to the benefit they would receive if they were in the 28 percent bracket.

The change would be effective for 2013 and beyond, so you may want to consider accelerating some donations into 2012. (With negotiations in Washington now under way, we may not know the fate of this proposed change until early 2013.)

Know the Rules

The following items are not new this year, but bear refreshing as you wrap up your finances for the season. Of course, everything described here is subject to detailed IRS rules, limits and exceptions, so be sure to consult your tax advisor or IRS.gov for more specifics.

- **Verify eligibility** — Not all organizations that do good things qualify for tax-deductible contributions. Check with the recipient to confirm eligibility.
- **Request receipts** — For cash donations of less than \$250, you'll need a receipt with your name, amount and date. (A cancelled check or credit card receipt will do.) If the amount is more than \$250, the receipt must also show the fair market value of any goods or services provided by the nonprofit.
- **Understand timing** — For last-minute contributions made by credit card, the deduction qualifies for this year if the transaction is dated in December, even if the card balance is paid next year. The pertinent date for checks is when they are written and postmarked, not when they are cashed.
- **Make lists of goods** — If you give furniture, clothes or other items, make an itemized list and value them at fair market value, not what you paid for them. Items that are more than \$500 in value may require an appraisal, and special rules apply to the donation of motor vehicles, boats, jewelry and artwork.
- **Remember travel costs** — If you contribute time rather than money, you cannot deduct the value of your effort, but you can deduct your travel expense.
- **Give appreciated securities** — If you own stock with a significant gain, you may be eligible for a nice tax break. To get the benefit, you need to donate the stock directly to the charity (instead of selling it first). By doing so, you'll avoid the capital gains tax and can deduct the full market value of the stock, not just what you paid for it.

Make a Lasting Impact

For more significant contributions, you may want to explore specialized charitable giving techniques, including:

- **Charitable trust** — A variety of trust structures can be established to achieve your philanthropic goals. The most common is the charitable remainder trust. Using a charitable remainder trust, you might give appreciated stock to a medical research institute and receive tax breaks as described above. The trust would then pay you (or the beneficiary you designate) a sum each year for the remainder of your life. Upon your death, the remaining funds would go to the institute.
- **Donor-advised fund** — This type of program allows you to make a contribution of stocks or other assets to a public charity, and then instruct the charity to make grants to qualified nonprofit organizations. For instance, this year you might give a large lump sum to the charity, which would then invest and distribute the funds as you instruct in coming years. Your lump sum is deductible in the current year, even if the charity spreads out grants over an extended period. (This timing may be important if the tax break shrinks in 2013, as described earlier.)
- **Family foundation** — If you have significant long-term philanthropic goals, a family foundation creates a systematic structure for setting aside funds, managing investments and selecting grant recipients.

All of these (and other) options have their own costs and benefits. Your wealth manager and tax advisor can help you determine the best means to achieve whatever charitable goals you may have — this year and for decades to come.

One last reminder: The holidays can bring out the worst in some people; be wary of online solicitations from bogus charities.

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