



Choose an area of interest:

Search

[Home](#) | [Member Services](#) | [News](#) | [Resource Library](#) | [Career Center](#) | [Professional Education](#) | [Marketplace](#) | [Investor Relations](#)

► **Choose an area of interest:**

[Accounting](#) | [A & A](#) | [Ethics & Compliance](#) | [Financial Planning](#) | [HR & Training](#) | [International](#) | [Legal](#) | [Corporate Finance](#) | [Students](#) | [Tax](#) | [Tech](#)

'Tis the Season for Charitable Donations; Here's What You Need to Know

Dec. 11, 2007 (Associated Press) -- It is that time of year. The bells are ringing, the cards need writing and charitable requests keep coming. But financial advisers say individuals shouldn't make a single donation without first considering their philanthropic goals and the most tax-advantageous ways to give.

Because charitable giving offers benefits for donors as well as recipients, philanthropy should be incorporated into a person's regular financial planning, advisers say. For those who have, say, sold a business or are expecting a hefty bonus, this might be the year to speed up an existing charitable pledge to optimize tax savings. For others, the goal of giving may be to teach children and grandchildren about values and money by involving them in philanthropic decisions.

"It could be a valuable tool from a lot of angles," says Ann Boyce, president of the T. Rowe Price Program for Charitable Giving, an independent donor-advised fund. She advises people to take the time now to estimate their 2007 income and taxes, and then think about what causes they want to support and how to get the best tax deduction for the donation.

Amid a dramatic growth in wealth in the U.S., Americans are donating more than ever and, unlike previous generations, giving away more while alive than through their estates. According to a report published by the Giving USA Foundation, a nonprofit group that supports research and education in philanthropy, U.S. donors gave \$295 billion directly to charitable causes last year, up 4.2 percent from 2005. About 65 percent of households with incomes of less than \$100,000 gave to charity last year, with the average American giving 2 percent of income and the wealthiest as much as 8 percent to 10 percent, the report found.

"Giving has become a cultural norm," says Paul Schervish, director of the Center on Wealth and Philanthropy at Boston College.

Hundreds of thousands of Americans of all incomes have discovered donor-advised funds, vehicles for charitable giving that have surged in popularity as many financial-services firms reduce fees and make them easier to use.

Related Stories

[Taxpayers: Avoid the Grinch in Charitable Giving](#)



[Looking for a CPA firm?](#)

Visit the [fiitmart](#) marketplace to find an accounting firm for you.
www.fiitmart.com

[The Big 4 Alternative](#)

Boston's Best Value alternative to the Big 4 and National CPA Firms
mfa-cpa.com

[Accounting, Tax & Audit](#)

Expert tax advice for your business and yourself.
www.sharkcpa.com

[Municipal Accounting](#)

Accounting, Billing, GASB reporting
Complete & easy to use software
www.accufund.com

A lower-cost alternative to establishing a foundation, donors can now buy into some of these funds with an initial deposit of as little as \$5,000 to \$10,000 in cash, stock or other assets; take a tax deduction; and then advise at a later date on where the money should go.

The ability to recommend charities later is a big selling point: It allows individuals to contribute and get tax deductions during peak earnings years, even if they aren't sure where they want their donations to go. While the funds aren't legally bound to honor donor distribution requests, they usually do so long as the chosen charities are legitimate nonprofits.

Assets in the nation's largest donor-advised funds surged more than 21 percent last year to \$19.2 billion from \$15.9 billion in 2005, according to a survey by the Chronicle of Philanthropy. These funds gave charities \$3.5 billion in 2006, up from \$3 billion in 2005.

The amount eligible for a tax deduction is capped at 50 percent of the donor's adjusted gross income per year if the gift is in cash, and 30 percent if it is in stock.

Sam Petrucci, a director at Credit Suisse Private Banking USA, says donor-advised funds provide individuals with many of the benefits of a foundation without the administrative hassles. Fund managers handle donors' grant requests and paperwork, and unlike foundations, donor-advised funds don't have minimum distribution requirements. Some givers like the privacy afforded by donor-advised funds, since gifts can be made anonymously. It isn't unusual for someone to sell a business and overnight become a millionaire, which they may not want everyone to know.

Because donor-advised funds are easy to run and can be started with small amounts of money, a growing number of affluent parents and grandparents are establishing them for their children and grandchildren as a way to teach them about giving. Others let the money in their own funds grow tax-free until children and grandchildren are old enough to help choose worthy charities.

"One of the biggest benefits of a private fund is that you can get the younger generation involved in philanthropic giving," says David L. Giunta, president of the Fidelity Charitable Gift Fund, the nation's largest donor-advised fund, with more than \$4.6 billion in assets.

That is exactly what David Bradbury of Estero, Fla., has done. He established a Fidelity donor-advised fund several years ago when he sold his business.

Early on, the Bradbury family decided to use some of the funds to establish a scholarship at the private school from which their sons had graduated. They now include their children and grandchildren in decisions about where to distribute the money. "They've been able to pick things locally that mean a lot to them," says Mr. Bradbury.

As they have grown in popularity, donor-advised funds also have attracted increased scrutiny. The Internal Revenue Service has been examining whether stricter measures are needed to prevent donors from using these funds for their own benefit - to get free tuition or tickets, for example. The IRS has yet to issue a report.

Meanwhile, donating appreciated stock - either directly to a charity, or to a donor-advised fund or foundation - may be one of the best things to do if reducing taxes is a priority, financial advisers say.

Although credit jitters and worries about the economy have weighed on stocks recently, a rising market over the past few years left many investors holding shares that had climbed in value.

By giving away stock - instead of selling it and donating the cash -

individuals can claim deductions against their federal income taxes for the current market value of shares, and avoid paying capital-gains tax on the appreciation.

Schools, hospitals and other large organizations often can accept stock directly. For a smaller charity that isn't equipped to take stock, contributions can be made through a donor-advised fund or foundation.

Most donors are unaware of the additional tax benefits of donating appreciated securities, over and above the deduction for a charitable gift, according to a survey released this fall by Fidelity Investments. More than two-thirds of those surveyed didn't know that giving appreciated stock could avoid long-term capital-gains taxes of 15 percent from the sale of such securities.

But individuals shouldn't wait until New Year's Eve to make stock contributions if they want to include them in their 2007 tax returns, advisers say. Stock transfers can take weeks.

Those interested in taking advantage of a charitable provision involving individual retirement accounts also need to hurry because the rule could lapse by year's end if Congress doesn't move to extend it.

Originally part of the Pension Protection Act of 2006, the rule allows those 70 1/2 or older to give as much as \$100,000 from their IRA to a charity without triggering income tax.

From August 2006, when the rule went into effect, through Nov. 27 of this year, more than \$113 million had been given to charity through IRA rollovers, according to a survey from the National Committee on Planned Giving, an association for professionals in charitable-gift planning. The survey is voluntary, so the figures may not be complete.

© Copyright 2007 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Would you recommend this article?

5 (yes, highly) **Comments:**

4

3

2

1 (no, not at all)