

FOUR WAYS TO GIVE BESIDES CASH (AND WHY)

Think of doing your weekly grocery shopping at the closest Walgreens or CVS: that would be an expensive way to stock your pantry. Using checks and credits cards for charitable giving is the philanthropic equivalent. Donors enjoy the convenience of one-step giving, but that comes at the cost of tax savings that could significantly add up over many gifts and many years. Additional steps mean more money in savvy donors' pockets for everything else in life that requires cash.



"Sir, your ducks, they are not in a row."

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IRA ASSETS

If you are age 70½ or older and own a traditional IRA, Congress has granted you a giving benefit unavailable to younger donors. IRA account holders can donate up to \$100,000 per person per year tax-free via qualified charitable distributions. IRA assets represent a lifetime of earnings that have never been taxed, and donating them are the only use where the account holder is getting 100 percent of the value of each dollar — any other use reduces that dollar through taxes. To give IRA assets to a school or fund at UMB, the steps are 1) completing a qualified charitable distribution form with the IRA administrator listing the University of Maryland Baltimore Foundation, Inc. (31-1678679) as the charitable recipient, and 2) contacting the Office of Planned Giving or school to communicate your gift designation to a particular fund, school, or program.

DONOR-ADVISED FUNDS

Donor-advised funds (DAFs) function like private foundations without the cost or complexity, and can be opened by anyone for as little as \$5,000 at a community foundation or large financial institution. The tax advantages include being able to separate the tax donation from the charitable distribution, allowing DAF donors to time donations to financial events or consolidate gifts, while deferring decisions about gift distributions. DAFs also can accept appreciated assets like stocks and mutual funds (but not IRA assets), which adds tax benefits.

APPRECIATED STOCKS

Gifts of stock and mutual funds allow donors to realize the full market appreciation of their investments, while any other use would reduce

their profit through taxes. Stocks are easier to transfer than mutual funds, usually involving only two steps: 1) providing stock transfer instructions (available from the school or Office of Planned Giving) to their financial institution, and 2) notifying the Office of Planned Giving of the incoming shares and communicating the school, fund, program, or designation where the sales proceeds should be applied.

MUTUAL FUNDS

Mutual funds involve additional steps and more time, but the tax advantages are the same as giving appreciated stock: You pay no tax on the sale of shares. To initiate gifts of mutual funds, donors should contact the Office of Planned Giving at least two weeks before the desired date of gift.

EVERYONE ASKS:

What should I know about tax changes in the CARES and SECURE acts?

Congress passed significant tax legislation in 2019 and 2020. What are the recent changes that impact charitable giving?

1. In 2021, taxpayers enjoy a universal charitable deduction of up to \$300 per person, taken “above the line,” meaning it reduces adjusted gross income (AGI). Donors should retain receipts for the gifts they claim.
2. For 2021 only (at the time of this publication), taxpayers may deduct up to 100 percent of AGI for cash donations to 170(c) organizations like the **University of Maryland Baltimore Foundation**. This sun-setting provision allows some donors with sufficient liquidity and charitable motivation to potentially zero out all federal income taxes through strategic cash-giving to their priority charitable causes.
3. For owners of traditional IRAs, the ability to make tax-free distributions to charitable organizations begins at age 70½, even though required minimum distributions do not begin until age 72. This might be particularly attractive for taxpayers who donate but plan to use the 2021 standard deduction of \$12,550 for single filers or \$25,100 for joint filers instead of itemizing deductions, because it allows them to enjoy a tax benefit from their giving while claiming the standard deduction.

DONOR REVIEW: THE RIVESTS ON WHY A DAF WORKS FOR THEM

Mickie and Jeff Rivest are longtime donors to the University of Maryland School of Nursing. Being able to support Mickie’s alma mater by creating scholarship opportunities for students has been a top priority for their joint philanthropy. Their continued commitment to the school is clear. They feel strongly that “the School of Nursing is a very special resource for the state of Maryland and the profession of nursing. It has also been immensely important in our life, and we are grateful to have the ability to support future nursing students.”

About eight years ago, at the suggestion of their financial advisor, they began giving through a donor-advised fund (DAF). Although this was a new philanthropic approach for them, they quickly realized the numerous benefits. According to Jeff and Mickie: “A DAF can easily become a component of a longer-term estate plan. It allows us to involve other family members in learning more about philanthropy and sharing in the rewards of giving back to organizations that have made a difference in our lives. We have been extremely pleased with this approach.” They both recognized using a DAF could transform their philanthropy in ways they hadn’t considered before.

The aspects of giving through a DAF that they initially found attractive were having their charitable assets managed professionally at a low cost and being able to contribute additional funds in a year of unusual increase in taxable income, while also stretching charitable distributions over several years. Once that initial contribution is made, any gain experienced is completely tax-free, and every dollar will go to their philanthropic priority now and in the future. This type of nontaxable gain allows them to significantly leverage their investment in the School of Nursing for student need-based scholarships. The Rivests concur that “creating and maintaining a DAF is easy and rewarding, and initial investment amounts do not need to be large. We were fortunate to start small and see it grow significantly. The key for anyone considering this method of giving — just get started!”

This publication is not intended to provide legal, tax investment, or other professional advice, and should not be relied upon for such advice. In advance of any charitable gift plan, we encourage you to seek the advice of legal, tax, and investment professionals.

THE **UMB OFFICE OF PLANNED GIVING** HELPS DONORS MAXIMIZE GIVING TO THE UNIVERSITY OF MARYLAND SCHOOLS OF MEDICINE, LAW, DENTISTRY, PHARMACY, NURSING, SOCIAL WORK, AND INTERDISCIPLINARY GRADUATE SCHOOL THROUGH TAX-EFFICIENT STRATEGIES AND OTHER OPTIONS BENEFICIAL TO THE DONOR. PLEASE VISIT www.umaryland.edu/plannedgiving OR CONTACT THE OFFICE OF PLANNED GIVING AT 877-706-4406 OR plannedgiving@umaryland.edu.