



Private Wealth  
Management

## Making the Most of Your Charitable Donations

When you're thinking about making charitable donations, the easiest thing to do is write a check to the charity of your choice.

But that might not be the most efficient way to give. For a more tax-advantaged strategy, here are some choices to consider:

### **APPRECIATED STOCK**

If you donate stock you've held at least 12 months, you can deduct the full value of the investment without having to pay any capital gains tax on the appreciation. The current fair market value of the stock counts as an itemized deduction that can reduce your taxable income. In fact, you could consider gifting your biggest winners, which maximizes your savings on capital gains taxes, and then buying back the same issue if you want to keep it in your portfolio. There are other considerations to keep in mind, so talk with your Baird Financial Advisor to discuss your options.

### **SHARES FROM AN EMPLOYEE STOCK PURCHASE PLAN**

If you've been participating in an ESPP, there are advantages to using those shares for a stock donation. You've likely held on to these securities for longer than the 12-month limit, and for many people the stock in their own company can come to represent an outsized part of their holdings. If it's time for you to rebalance your portfolio, consider donating some of your company's stock to charity.

### **MUTUAL FUNDS**

Rather than stocks, you can also give away shares in mutual funds to charity. Just keep in mind that you can't redeem your shares and then give the cash to the charity, or you will lose the tax benefits of donating appreciated shares, so make sure the fund company transfers your shares directly to the charity. ▶

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## Making the Most of Your Charitable Donations *continued*

### **BUNCHING**

The recent increase in the standard deduction – it's currently \$29,200 for joint filers and \$14,600 for single filers - has made it more challenging to deduct charitable donations. That's where bunching strategies come in. If you typically donate \$17,500 a year to your favorite charity, you can bunch your annual giving and donate \$35,000 in one year, then enjoy an additional \$5,800 deduction above your standard deduction. Then take a break from giving the next year and take the standard \$29,200 deduction.

### **QUALIFIED CHARITABLE DONATION (QCD)**

By sending the required minimum distribution (RMD) from your IRA directly to a charity through a QCD, you reduce your taxable income and eliminate the need to claim a deduction for the gift. An IRA owner can give up to \$100,000 per year directly to charity in this manner. In order to be considered a Qualified Charitable Distribution, the following conditions must be met:

- You must be age 70½ or older as of the date of the distribution
- The IRA must be a Traditional IRA (including an inherited IRA) or an inactive SEP or SIMPLE IRA
- Only public charities qualify as eligible recipients of a QCD; gifts to private foundations, donor-advised funds and supporting organizations do not qualify for QCD treatment

### **DONOR-ADVISED FUND**

Similar to a family foundation but with less administrative responsibilities, a donor-advised fund can also accept appreciated stock, but that's not its only tax advantage. When you make a donation to a donor-advised fund, you can take the tax deduction now, even if you haven't yet identified the charity that you want to contribute to. You can also bunch your donations during a high-income year to maximize the deduction, and then parcel out the gifts to charities over time as the assets inside the fund grow tax-free. Your Baird Financial Advisor can help you establish your own Donor Advised Fund.

Writing a check is the easiest way to contribute to charity, but taking a little more time to plan your gift can benefit both you and the recipient of your donation. Talk to your Baird Financial Advisor about how you can make the most of your charitable contributions.

Please reach out if you or anyone you know would benefit from discussing this topic further.

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