Charitable giving basics

How to make the most of your charitable giving

Financially benefit your causes and yourself

The many benefits of doing good

There's tremendous satisfaction to be found in supporting causes that are meaningful to you. Translating your hard work into good works lends purpose to your efforts and meaning to your life. And when the support you provide is financial, there are tangible benefits in the form of tax and estate planning mitigation. By working with your advisor to understand different gifting strategies and vehicles, you can maximize the impact of your charitable giving for recipients and your family.

This guide provides an overview of charitable giving basics and highlights key considerations when working with your advisor to develop a charitable giving strategy.

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Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

1 | Developing your charitable giving philosophy and approach

When it comes to charitable giving, most are driven by some combination of faith, personal values and life experience. And there are many ways to put your desire to give into practice. Some people have long-standing relationships with personal causes. Others respond to urgent needs that arise in real time. Some focus on local charities while others take a global approach. And in reality, most mix and match pet causes with ad hoc giving.

But wherever you are in your charitable giving journey, having a philosophy – however simple – helps ensure your giving is aligned to your values, passions and capabilities. It also helps maximize the impact of your contributions both for yourself and those you're looking to support.

The questions below can help you shape your philosophy by homing in on what's most important to you. With answers in hand, you can devise a plan for action and impact.

- What values and experiences motivate your giving? (Faith, Social Justice, Life Experiences, etc.)
- What causes resonate with you? (Education, Poverty, Human Rights, Access to Health Care, Politics, etc.)
- How do you expect your financial support to evolve in the coming years?
- Do you remain committed to the causes you currently support?
- What causes do you support and how do you expect that roster to evolve in the coming years?
- Do you wish to focus on personal causes or contributions to organizations addressing emergencies and immediate needs?
- Do you wish to focus on local organizations or those with more national/global missions?
- Do you wish to focus on smaller, niche organizations or those with more broad-based mandates?
- Are you focused on immediate impact or do you prefer organizations with longer term (multi-year) initiatives?
- Do you want your gifts restricted for specific uses or used for the most pressing needs?
- How do you wish to involve your family in your giving?

Defining your giving philosophy

The resources below can help you define your charitable giving philosophy and inform your approach you take to activating it. Also included are resources to support you in nurturing the philanthropic impulse within your family.

The Altruism Equation: Seven Scientists Search for the Origins of Goodness
by Lee Dugatkin

Explores the evolutionary basis of altruism, examining why humans cooperate and help others, even at a cost to themselves.

Giving 2.0: Transform Your Giving and the World
by Laura Arrillaga-Andreessen

A look at how those of every age and income level can harness the power of technology, collaboration, innovation, advocacy and social entrepreneurship to shape their approach to giving.

How We Give Now: A Philanthropic Guide for the Rest of Us
by Lucy Bernholz

Shows how philanthropy is more than just writing a check but a way of living our values and fully participating in society.

The Opposite of Spoiled: Real Answers for Parenting Well-Mannered, Responsible, and Generous Kids
by Ron Lieber

The author of the New York Times "Your Money" column offers guidance on teaching children about money and values, including the importance of giving back and contributing to the community.

The GIving Book: Open the Door to a Lifetime of GIving
by Ellen Sabell

Pairing an entertaining narrative with engaging learning activities, this children's book helps introduce kids to the world of charitable giving by encouraging empathy and generosity.

Vetting potential recipients of your giving

Whatever your philosophy, third-party organizations that assess charities for things like effectiveness and cost efficiency help ensure your donations are making a difference. These web sites can help:

Charity Navigator
www.charitynavigator.org

Provides in-depth financial information, accountability and transparency scores and ratings for a wide range of charities.

GuideStar
www.guidestar.org

Offers detailed information about a charity's mission, programs, finances and leadership.

Give.org (BBB Wise Giving Alliance)
give.org/charity-landing-page/about-us/our-mission

Evaluates charities based on 20 standards related to governance, effectiveness, finances and trustworthiness.

The gift of time

Time. They're not making more of it. Which makes volunteering yours an act of great generosity. And happily, giving your time isn't just about answering your conscience. It can also be a source of fulfillment, fun and even adventure. Whatever your interests and passions, resources like Points of Light Engage, VolunteerMatch and Adventure Volunteer help match you to volunteering opportunities. They also enable you to think big and get creative about how to donate your time. Here are six ways to volunteer:

1. **Lend your talents:** Have a law degree? Are you a marketing expert? Do you like to cook? No matter how "niche-y," chances are there's an organization that plays to your strengths.
2. **Transfer your knowledge:** If you light up when the lightbulb goes on for others, consider teaching. Whether that's personal finance 101 at a community center or English as a second language through your church, you can embrace opportunities to educate.
3. **Roll up your sleeves:** For some, nothing matches the satisfaction of laying a foundation or framing a house. Organizations like Habitat for Humanity allow you to see your efforts take physical shape.
4. **Combine it with travel:** For adventure seekers or those looking for immersive cultural experiences, combining volunteering with travel can provide a whole different perspective on places and people.
5. **Be a friend to animals:** Whether working at a local pet rescue center or supporting efforts to protect endangered species, there are many ways for animal lovers to put their passion into practice.
6. **Get outside:** Beach cleanups, building trails in the mountains or volunteering in the National Parks can turn communing with nature into a way to give back.

2 | Understanding the potential income tax benefits when donating to charity

Several factors determine whether your donations will also provide you with tax and estate planning benefits. Knowing some basic guidelines and rules can help shape your strategy.

Are you "itemizing"? To deduct charitable gifts and see income tax benefits, you'll need to be "itemizing deductions." Recently, the standard income tax deduction has increased reducing the number of taxpayers who benefit from itemizing deductions.

Are you donating to a "qualified" organization? Recipient organization must be "qualified" for donations to be deductible. Qualified organizations include nonprofit groups operating solely for religious, charitable, educational, literary or scientific purposes, or certain other causes as defined by the IRS. Deductions are also allowed for gifts to community foundations, donor-advised funds, supporting organizations and private foundations. To determine if an organization qualifies, go to the IRS website: irs.gov/teos

- **Tax exempt does not mean tax deductible**. Not all "good causes" are eligible to receive tax-deductible contributions. Indeed an organization being "tax exempt" doesn't necessarily mean that contributions to it are tax deductible. Generally speaking, a charity must have so-called 501(c)(3) status in order for contributions to be tax deductible so before donating, use the aforementioned IRS tool to get the details.

Are your specific donation types eligible? Certain types of donations/contributions are not deductible. These include contributions to a school as a substitute for tuition, donations in exchange for college athletic event seating rights or giving to civic leagues, social and sports clubs, labor unions, chambers of commerce, foreign organizations, lobbying groups, political groups and candidates for public office. Before donating, make sure you know if your gift is deductible.

How do your donations impact your tax picture? Charitable contributions don't translate into dollar-for-dollar income tax savings. Charitable contributions are what's known as "below the line" deductions, meaning one's tax rate is determined before the deduction is applied. Second, the IRS limits the amount deductible in a single tax year. (This limit generally ranges from 20%-60% of

Questions to consider:

- Should you be itemizing deductions?
- How will your gift be treated on your tax return? Some organizations may be "tax exempt" but contributions are not tax deductible.
- If you're making a sizable donation, will you realize the full tax benefit? Because the IRS limits income tax deductions, you may wish to consider spreading your giving over multiple tax years.

adjusted gross income (AGI).) The following three factors determine the amount you can deduct in a single year:

1. **Your adjusted gross income (AGI)**
2. **The type of property given**
3. **The recipient of the gift**

It's okay for you to benefit. If trying to maximize the tax benefits of your giving somehow "doesn't feel right," you're not alone. But that doesn't mean it's right to feel uneasy. Because reaping tax benefits from your giving doesn't mean you have ulterior motives or that your aim is less than true. Instead, it's important to remember that a strategy designed to provide the greatest tax benefit is often the one that makes the biggest impact on your beneficiaries. Your advisor and estate planning specialist can help you strike the balance and explain why charitable giving and the pursuit of tax and estate planning benefits can be complementary objectives.

Important changes to deduction rules

The One Big Beautiful Bill Act (OBBBA) signed into law in 2025 has potentially significant implications on tax deductions related to charitable giving. The following are effective beginning in the 2026 tax year:

New floor on charitable deductions. Those who are itemizing deductions can only deduct charitable contributions exceeding 0.5% of their adjusted gross income (AGI). So, for example, those with AGIs of $300,000 will only be able to deduct donations above and beyond a $1,500 threshold; for those with AGIs of $1,000,000, the figure is $5,000.

New cap on itemized deductions. The new rules cap the maximum tax benefit for charitable deductions at 35%, even for those whose marginal tax bracket is higher.

Non-itemizers can receive a charitable deduction. All filers, including those who do not itemize deductions but instead take the standard deduction – can deduct up to $1,000 ($2,000 for those filing jointly) for donations to public charities. Some types of donations are ineligible for the deduction, including contributions to donor-advised funds (DAFs) and supporting organizations.

Permanent Charitable Deduction Limit. The 60% AGI limit for cash contributions that had been temporary has been made permanent beginning with the 2026 tax year.

Planning Considerations. In light of these changes, individuals, especially higher-income individuals, may want to consider the timing and amounts of their giving. For example, accelerating gifts to 2025 or making larger gifts with less frequency. Whenever the tax landscape changes, it's important to work with your tax advisor to ensure you understand how you may be affected and what – if any – changes you should consider.

3 | Evaluating the estate planning benefits when donating to charity

Charitable giving is an important consideration when creating an estate plan, as moving money out of your estate can reduce your estate tax burden and enable you to pass more along to your heirs. There are some key considerations:

From a tax standpoint, charitable donations offer two key benefits:

- **Reducing income tax benefits**: There are limits to the yearly income tax benefits one can claim (see previous section for rules on annual gifting limits), meaning income tax limitations typically come into play in connection with smaller gifts.
- **Reducing estate tax benefits**: There are no limits to the estate tax benefits you can claim for charitable donations. The full amount of donations is typically deducted from your estate's value reducing your long-term tax estate tax burden. Estate tax considerations typically apply to larger gifts.

Donating significantly appreciated assets enables you to avoid the capital gains taxes that could be due if the assets were sold and the gains realized. Advisors and estate planning experts can help you maximize the tax benefits of donating appreciated assets.

Estate plans typically involve instruments like wills, trusts, beneficiary designations and retirement plans, all of which can be used to direct assets to charitable causes and mitigate the impact of taxes. Here again, an estate planning expert can help ensure your giving objectives are integrated into your overall estate plan.

Questions to consider

- Does your charitable giving strategy account for both your income tax and estate tax mitigation objectives?
- Have all elements of your estate plan been updated to reflect your current charitable giving strategy?

What you need to know about gift taxes

In addition to donating to charity, you may wish to give gifts to family members or friends. But before you do, it's important to understand the rules and limits related to personal gifts. For the 2025 tax year, you can give $19,000 per person to as many people as you wish without having to pay gift tax or report the gift to the IRS.

Importantly, these annual gifts are an effective way to move money out of your estate without reducing your lifetime estate tax exclusion. What's an estate tax exclusion? The IRS has set limits on the total amount of your estate you can give away or leave to your heirs before gift or estate taxes kick in. For 2025, that amount is $13.99 million. For 2026, the amount increases to $15 million. However, your annual personal gifts (provided they remain within IRS limits) do not count toward the gift tax exclusion which means they potentially reduce the amount of your estate subject to estate taxes.

4 | Determining the types of assets that can be donated

When it comes to the types of assets you can donate, options abound. Cash is easy and efficient but may not always be the optimal choice. Gifting securities and property may enable you to be more generous and realize even greater tax and estate planning benefits.

Cash: Cash is easy to give and value and charitable organizations appreciate the liquidity. But when it comes to tax deductibility, it's sometimes considered the least tax efficient approach because chances are you've already paid tax on it and you'll likely receive more limited tax benefits than, say, donating appreciated securities.

Publicly traded securities: Publicly traded stocks or bonds can be donated, with the deduction equaling the fair market value at the time of donation. Donating securities that have appreciated in value is a common strategy for avoiding capital gains taxes.

Private company stock: Tax rules permit the donation of interests in private companies. However, these donations can bring added challenges. For one, valuing the asset can be difficult and exposes donors to scrutiny. In addition, assets in private companies are typically not liquid which can limit a charity's ability to use the donation effectively.

Property: Donating real estate or personal property can offer numerous benefits. However, special rules related to valuation, reporting and deductibility may apply. For example:

- The deduction for property that has **increased in value** depends on the type of property and the holding period. For property held less than one year, the deduction is generally limited to the donor's cost basis. Property held a year or more is generally deductible at fair market value at the time of the gift.
- The deduction on property that has **decreased in value** is limited to its current market value. The difference between that and the donor's higher cost basis isn't deductible. That's why it's usually wiser to sell the property and give the charity cash which helps the charity and enables the donor to benefit from the realized capital loss.

Questions to consider:

- Are you considering all asset types when creating your giving strategy?
- Are you factoring the impact of capital gains taxes into your donating strategy? Assets like stocks that may have meaningfully appreciated in value and would be heavily taxed if sold are often good candidates for donation.

Take advantage of donation matching

Some employers offer the benefit of matching their employee's donations to eligible nonprofits. There are even companies that will provide monetary donations to organizations where employees volunteer their time. Be sure to check with your employer to see if there are any opportunities to maximize your gifting efforts.

5 | Reviewing the gifting vehicles commonly available to donors

Beyond what you wish to give, is the question of how you wish to give it? And underneath that question is another pivotal one: Whether to give during one's lifetime or at death? These decisions can have significant short- and long-term tax implications and should factor heavily into their will and estate plans. The good news is there are many options and structures to accommodate differing needs and goals. Together with your advisor and estate planning specialist, you can determine which of the following approaches is right for you.

Questions to consider:

- How much control do you want to retain over assets you've earmarked for charitable giving?
- What other financial considerations are important when selecting a gifting approach?

Outright gifts: The simplest strategy of all, you can make the gift outright or through a will or trust. Contributions are easy to value, and they move money out of your estate, reducing the associated tax burden.

Bequests in your will: Within your will, you can designate portions of your assets or estate to be donated to your chosen charity(ies). This simple approach ensures your charitable intentions are carried out after your death.

Charitable remainder trusts (CRT): Charitable remainder trusts provide you or another beneficiary with income for life, with the remaining assets going to charity upon your death or that of the beneficiary. It can be ideal for those wishing to maintain control over their assets while alive.

Charitable lead trusts (CLT): A charitable lead trust is a CRT in reverse. CLTs pay a fixed amount to charity for a set period, then the remaining assets go to your heirs. This supports your chosen charities while also leaving a legacy to your loved ones. It also has potential estate planning benefits that experts can explain to you in greater detail.

Donor-advised funds (DAF): DAFs allow you to make contributions of cash or securities to an entity similar to an investment or mutual fund account. Contributions are invested according to your guidance and you direct donations to your chosen charities. Funds contributed to a DAF are immediately tax deductible rather than being deductible once a donation is made from the DAF to a charity. One caveat: Once assets are contributed to a DAF, they cannot be reclaimed.

Qualified charitable distributions (QCDs): QCDs are distributions made directly from an IRA to a qualified charity. They count toward your required minimum distribution (RMD) and are not included in taxable income. No deduction is allowed for a QCD, but it is an "above the line" reduction of income. To be eligible, donors must be at least 70½, and the total QCDs in any year cannot exceed $108,000 per person for 2025.

Retirement assets: One rule of thumb among estate planning experts is this: If you are making a charitable donation at death and have a retirement account, assets from that retirement account should be used to fund the donation. Of course there are exceptions, but generally speaking retirement assets receive less favorable tax treatment than assets in other commonly used estate planning vehicles. So when creating an estate plan, it may make sense to earmark retirement fund assets for charitable giving objectives rather than heirs.

Maximizing the impact and tax benefits of your donations

As in life, timing can be everything when it comes to charitable giving. Your advisor, collaborating with tax and estate planning experts, can develop a holistic giving strategy that meets your financial objectives and maximizes your impact on the causes you care about. And when unexpected or momentous life events require a shift in strategy, they can guide you. Reach out to your advisor today.

Five steps individuals can consider taking to support their charitable giving goals:

1 Developing your charitable giving philosophy and approach

2 Understanding the potential income tax benefits when donating to charity

3 Evaluating the estate planning benefits when donating to charity

4 Determining the types of assets that can be donated

5 Reviewing the gifting vehicles commonly available to donors

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