Year-End Financial Gifting Strategies

It's the season for giving, and you're likely thinking of your loved ones, as well as causes you support when pulling out your checkbook. Whether you want to save for your grandchildren's education or leave a legacy to a charity that you care about, there are many tax-advantaged ways you can make a gift that keeps on giving. Each of these advanced strategies can provide significant impact to your bottom line, and should be discussed with a qualified tax professional:

1. Consider donor-advised funds.

Donor-advised funds (DAFs) are a tax-advantaged account that may be worth considering for the charitably inclined. DAFs are maintained by qualified public charities and created when donors want to make substantial gifts. This way, the donor gets an immediate tax deduction (including the avoidance of capital gains tax on highly appreciated assets, since the deduction is taken at fair market value and not the purchase price) and the ability to make grant recommendations.

What makes DAFs unique compared to just setting up a gift plan or recurring donation with the charity of your choice is that the ability to make grant recommendations continues throughout not only the rest of your life, but also future generations. If you want your children and grandchildren to embrace the power of charitable giving and teach them these responsibilities, DAFs may be an excellent fit for your gift strategy.

2. Donate through your retirement assets to make your RMDs.

Thanks to the Protecting Americans from Tax Hikes Act of 2015, the rules regarding qualified charitable distributions (QCDs) have become permanent and enabled this strategy to help IRA owners with proactive giving for years to come.

QCDs are payments made directly to charities (they cannot be paid to you or any other beneficiaries) that help satisfy your RMD obligations if you don't wish to withdraw the entirety of your RMD.
This can be an efficient way of helping charities you support because the charities receive all the funds. In addition, even though you don't get a charitable deduction, you don't have to include the QCD in your total income, as you would if it were a normal RMD. Rules and restrictions will apply to successfully complete a QCD.

3. Choose the timing of your gifts for maximum impact.

One of the major tenets of effective tax and wealth planning is that it's not so much the amount of money involved but the timing. A transfer made when you're living is an *inter vivos* transfer, whereas a transfer made in death (your estate) is testamentary. As an example of the latter, if you have a highly appreciated asset subject to capital gains taxes, your beneficiary will receive what is known as a step up in basis. He or she will owe tax only on the amount of growth from the date of the inheritance. Conversely, a transfer to your spouse may be better off as an *inter vivos* transfer because spouses can make unlimited gifts to one another. Even though there is a marital deduction in estate taxes that can reduce the federal estate tax, your state may have far lower thresholds for taxable estates, and just one asset—such as your home or 401(k)—can already put you at risk for paying state-level estate taxes.

How Can I Maximize the Tax Advantages of My Accounts?

The secret to wealth management is focusing not just on what you have but also on what you keep in your pocket at the end of the day. As such, a sound financial plan includes year-end tax-planning strategies and ongoing, proactive, tax-conscience advice. For more great tax-saving tips, **contact us** to request our latest white paper: "2016 Year-End Tax-Saving Strategies: Maximizing Your Investment & Retirement Income with Tax-Advantaged Planning," or call (256) 715-0094 to request a complimentary consultation!