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## **Year-End Charitable Gifting and You**

Are you making charitable donations at year's end? If so, you should know about some of the financial "fine print" involved, as the right moves could potentially bring more of a benefit to both you and your chosen charity.

Keep in mind, this article is for informational purposes only and is not a replacement for real-life advice. Make sure to consult your tax, legal, or accounting professionals before modifying your charitable gifting strategy.

### **Itemize to Optimize**

To deduct charitable donations, you must itemize them on IRS Schedule A. So, you'll need to log each donation you make. Ideally, the charity will provide you with a form to document proof of your contribution. If the charity does not have such a form handy (and some do not), a receipt, a credit or debit card statement, a bank statement, or a canceled check can work. The IRS may want to know three things: the name of the charity, the gifted amount, and the date of your gift.<sup>1</sup>

Remember, itemized deductions may only have tax benefits when they exceed the standard income tax deduction, so be sure to check on the standard deduction amount for your tax filing year.

### **Show Your Appreciation**

Many charities welcome non-cash donations. In fact, donating an appreciated asset can be a tax-savvy move. You may wish to explore a gift of highly appreciated securities. Selling securities can lead to a taxable event. As an alternative, you or a

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financial professional can write a letter of instruction to a bank or brokerage, which can facilitate authorizing a transfer of shares to a charity.

This transfer can accomplish three things:

- You can manage paying the tax you would normally pay upon selling the shares.
- You may be able to take a current-year tax deduction for the full fair market value of the shares.
- The charity gets the full value of the shares, not their after-tax net value. This can be a winning strategy all around.<sup>1</sup>

## **A Policy of Giving Back**

Do you have a life insurance policy? If you make an irrevocable gift of that policy to a qualified charity, you can get a current-year income tax deduction. If you keep paying the policy premiums, each payment may become a deductible charitable donation. (Deduction limits can apply.) If you pay premiums for at least three years after the gift, that could reduce the size of your taxable estate. The death benefit may be transferred out of your taxable estate, in any case.<sup>2</sup>

You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications.

Whatever your situation, getting advice from a tax or financial professional can help you give wisely as the year comes to a close. We're here to help find a strategy that works for your situation.

<sup>1</sup>. IRS.gov, 2023

<sup>2</sup>. Investopedia.com, March 2, 2023

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