Rochester Wealth Strategies

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Year End Tax Strategies

by Julie Lobaza

A donor-advised fund can be considered a charitable investment account that allows for immediate tax benefits and the opportunity to support organizations you care about.

Starting a donor-advised fund is a fairly simple process. An account is setup with an initial investment of cash, stocks, securities, or non-publicly traded assets like private business interests, cryptocurrency, and private company stock. The contributions are an irrevocable commitment, so the funds cannot be returned to the donor. However, since your donation is considered a charitable contribution, in return you will receive an immediate tax deduction.

The assets in the donor-advised fund can be invested according to you or your financial advisor's recommendations. All growth will remain tax-free, so your donation can increase while you are deciding which charities to support. This allows you to potentially give more to charities over time.

Once your donor-advised fund is setup and funded, you can start recommending grants to your favorite charitable organizations. Although certain tax benefit limitations may apply, the main stipulations are that the organization must be an IRS-qualified public charity and the grant money must be used for charitable purposes. You maintain the right choose what to give, how much, how often, and whether you want to grant anonymously.

In addition to various gifting strategies and qualified charitable distributions (QCDs), donor-advised funds can be another valuable tool for estate planning. It can also provide a means to offset a sizeable income in any given year. Whether you would like to create tax efficiency, build a philanthropic legacy, or simply support the causes you believe in today, a donor-advised fund may be worth a conversation.