THE Wealth REPORT

Americans are becoming increasingly charitable, but many don't know how to structure giving plans. Strategic charitable vehicles such as stock donations, retirement distributions and trusts can potentially help maximize both impact and tax benefits.

HOW TO MAKE CHARITABLE GIVING SUSTAINABLE

A Few Key Takeaways:

- **Establish your goals first, and vehicles second.** Set clear philanthropic objectives before choosing your method(s) of giving.
- **Different assets have different benefits.** Stock donations may reduce capital gains taxes, while IRA distributions could be tax-free for donors age 70 1/2 and older.
- **Give and receive.** Some vehicles, such as charitable trusts, let you support causes while generating income for yourself and your heirs.
- **Time it right.** Consider "bunching" donations into one year, or use donor-advised funds (DAFs) to maximize tax advantages.

Overview

Americans are a charitable bunch. A 2025 survey by Vanguard Charitable revealed that 70% of respondents had donated to charity within the past six months, and 87% planned to donate more in the near future.[1]

While "helping others" might be one reason many people give, charitable giving also provides the opportunity to reduce their tax bill. Yet, many people don't know how to structure a sustainable plan or are unaware of the vehicles available to optimize their giving and their ultimate legacy.

Establish Your Charitable Giving Goals

Before choosing giving plans, it's important to establish your philanthropic goals. Your financial advisor can help you identify those goals and how they fit into your overall financial plan, integrating tax and estate considerations with investment growth and giving opportunities.

Your advisor may ask you these questions as you're setting up your giving plan:

- What causes do you want to support, and to what extent?
- How much income do you need to maintain your current lifestyle?

- How much can you realistically gift each year beyond your own spending needs and saving goals?
- How much money would you like to leave to family members and other non-charity heirs?
- Are you interested in establishing a charitable giving legacy for yourself and/or your surviving heirs?
- What financial vehicles might be best suited to meet your short- and long-term goals?

Once these questions have been answered, your advisor can help you explore the various vehicles available to help create a strategic plan for charitable giving.

Financial Vehicles To Support Charitable Giving

Stock

If you own highly appreciated stock, you can donate it to a charity and benefit from a tax deduction equal to the fair market value of the securities. In other words, there is no out-of-pocket cost in terms of household income or tax liability. You may be eligible for a deduction of 30% adjusted gross income, depending on how long you've owned the stock and its appreciated value. Plus, you may carry forward higher amounts for up to five years.[2]

Retirement assets

If you'd like to gift assets from a 401(k) or other employer-sponsored retirement plan, you will first need to take a distribution and pay taxes on that income during that year. You can then donate the cash to a charity and reap the tax benefits in one of two ways:

1. Itemize your deductions for the tax year in which the donation is made.
2. Deduct up to $1,000 ($2,000 for married couples filing jointly) for cash gifts to qualified charities if you take the standard deduction. (This option became law in July 2025 and will go into effect for the 2026 tax year.)[3]

The only way to avoid the tax burden associated with your gift is to name a charity as the beneficiary of your retirement account as part of your estate plan after you pass away. If structured properly, this charitable donation can minimize the taxes paid by your estate and heirs.

However, if you donate money from a traditional IRA, there is another way. Donors age 70 1/2 and older may make a qualified charitable distribution of up to $100,000 from their IRA directly to a charity and avoid taxes on the distribution. If you'd like to name a charity as the IRA beneficiary upon your death, the charity will receive the full amount of the IRA because it does not pay income taxes. Although your estate must report the value of those assets, it will receive a tax deduction for the contribution, which may help offset estate taxes.[4]

Insurance

You may transfer a life insurance policy to a charity during your lifetime, and the benefit will be distributed to the charity upon your death. A transfer of an existing contract may generate a charitable income tax deduction. The charity will not owe taxes on any benefit paid out upon your death.

Another option is to purchase a new policy to leverage the premium for a higher charitable donation. For example, a 50-year-old male may be able to purchase a single premium life insurance policy for $100,000 that pays a $400,000 income tax-free death benefit to a named charity.[5]

Donor-advised fund

A donor-advised fund is sponsored by a charitable organization. First, you make an irrevocable contribution of cash or marketable securities and receive an immediate tax deduction (assuming you are eligible to itemize deductions). Then, you can either make an immediate donation or wait until funds have grown to make a more sizeable gift. As a donor, you may recommend where the proceeds are granted based on your charitable goals.[6]

Charitable remainder trust

A charitable remainder trust (CRT) allows you to make a large donation to a charity that will produce income to help supplement your retirement nest egg. First, you donate an asset to a charitable trust, part of whose value you may claim as a tax deduction in the year it was contributed. The asset is then sold by the trust, and its proceeds are reinvested in an income-producing portfolio. This portfolio pays you either an annual fixed percentage of the value of the assets in the trust (charitable remainder unitrust) or a fixed dollar amount (charitable remainder annuity trust).

Upon your death, the designated charitable organization will receive the remainder of the assets in the trust. A CRT can be a viable option for an investor who wants to create a philanthropic legacy but still receive income from the gifted assets throughout their lifetime.[7]

Charitable lead trust

A charitable lead trust (CLT) splits out the income stream and remainder interest just like a CRT, but the income stream —

payable for a lifetime or for a fixed period of years — is paid out to the charity. The remaining proceeds are distributed to your non-charity beneficiaries. A CLT is sometimes used as a gift or estate tax reduction technique.[8]

The Bottom Line

Here's another strategy you may want to consider: Some tax professionals suggest that donors skip one or more years and "bunch" charitable donations into one year so they are eligible to itemize instead of taking the standard deduction. This can decrease your tax bill for the year in which the donation is made.

Charitable giving doesn't have to be an either-or choice between supporting causes you care about and maintaining your financial future. The key is developing a strategic approach that aligns your philanthropic goals with your overall financial plan.

Whether you're considering a simple stock donation or exploring more complex strategies such as charitable trusts, working with a qualified financial advisor can help you maximize both your charitable impact and tax benefits.

Remember, the most effective giving strategy is one that fits your unique circumstances, values and long-term objectives. The goal is to create a legacy that benefits both the causes you support and your family's financial future.

[1] Vanguard Charitable. July 28, 2025. "New survey: Americans believe charitable giving is a civic duty, especially during times of uncertainty." https://www.vanguardcharitable.org/news/new-survey-americans-believe-charitable-giving-civic-duty-especially-during-times-uncertainty. Accessed Oct. 30, 2025.
[2] DAFgiving360.org. "Publicly traded securities." https://www.dafgiving360.org/non-cash-assets/publicly-traded-securities. Accessed Oct. 30, 2025.
[3] DAFgiving360.org. "What the One Big Beautiful Bill Act means for charitable giving." https://www.dafgiving360.org/tax-law-changes. Accessed Oct. 30, 2025.
[4] Fidelity Charitable. "What is a qualified charitable distribution?" https://www.fidelitycharitable.org/guidance/philanthropy/qualified-charitable-distribution.html. Accessed Oct. 30, 2025.
[5] DAFgiving360.org. "Life insurance policies." https://www.dafgiving360.org/non-cash-assets/life-insurance-policies. Accessed Oct. 30, 2025.
[6] Fidelity Charitable. "What is a donor-advised fund (DAF)?" https://www.fidelitycharitable.org/guidance/philanthropy/what-is-a-donor-advised-fund.html. Accessed Oct. 30, 2025.
[7] Fidelity Charitable. "Charitable remainder trusts." https://www.fidelitycharitable.org/guidance/philanthropy/charitable-remainder-trusts.html. Accessed Oct. 30, 2025.
[8] Fidelity Charitable. "Charitable lead trusts." https://www.fidelitycharitable.org/guidance/philanthropy/charitable-lead-trusts.html. Accessed Oct. 30, 2025.

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