

A tax-smart approach to year-end giving season and charitable donations

Making strategic choices about how you donate can help make the most out of your contributions.

T. Rowe Price Insights on Personal Finance

Key Insights

- Donating long-term appreciated assets can be an effective strategy to minimize capital gains taxes.
- Bunching donations in one year may enable you to realize tax savings from itemization.
- Consider a donor-advised fund to efficiently convert a contribution of appreciated assets into support for multiple charities.



Dr. John Brothers
President of T. Rowe Price Charitable

Many Americans are still experiencing financial challenges due to inflation and economic anxiety. The same can be said for charitable organizations. Fortunately, those Americans who are in a position to give are as committed as ever to supporting their causes. “And there are many strategies they can use to donate efficiently based on their personal situations and their goals,” says Dr. John Brothers, president of T. Rowe Price Charitable.¹

A strategic approach

Donors typically have a strong commitment to philanthropy and a desire to support the causes that are most meaningful to them, whether they include education, the environment, the

arts, or any number of other worthwhile causes. And tax deductions for charitable contributions provide an important benefit to consider when developing a financial strategy for charitable contributions. Making strategic choices about how you donate can help make the most out of your contributions. For instance, donors may choose to:

- Donate long-term appreciated securities or other assets, which would allow the donors to claim a charitable tax deduction for the fair market value of their contribution and avoid potentially significant capital gains taxes on those assets.
- Bunch two years’ worth of contributions into one tax year, perhaps at the start or the end of the calendar year,

which could result in a higher total itemized deduction for the donor in that year above the applicable standard deduction.

- Leverage a donor-advised fund (DAF) to efficiently take advantage of both of these tax strategies. For example, combining the bunching strategy with a DAF provides flexibility to support charities in any year while optimizing tax savings in the current year.² DAFs can also accept a wide range of appreciated assets, unlocking their charitable value while minimizing capital gains taxes. In the meantime, any balance in the account has the potential for tax-free growth, which could result in more funds for a donor’s favorite charities.

Adjust as necessary

Take time now to evaluate how your existing charitable strategies may fit into the current tax and economic landscape, and determine if you may benefit from making any adjustments. "Charitable giving remains a core value for many American families," says Brothers. "As tax laws change, tax-related gifting strategies may need to be adjusted. But the values and philanthropic legacy will persist."

How DAFs make giving easier

Develop a cost-effective, long-term strategy for philanthropic giving.

Donor-advised funds (DAFs) are public charities that accept irrevocable gifts of cash or appreciated assets, invest those gifts for potential growth, and then distribute those funds to qualified nonprofit organizations per the donor's recommendation. Much like foundations, but with many fewer administrative duties, DAFs can help donors develop a charitable legacy. They also give donors additional flexibility in the timing of their gifts. Their benefits include:

- Facilitating the liquidation of appreciated assets (including publicly traded securities, private stock, business interests, real estate, etc.) to potentially eliminate capital gains tax liability
- Simplifying recordkeeping for tax time
- Organizing giving to multiple charities through one account
- Enabling the involvement of additional family members to develop a multi-generational approach to philanthropy

With over one million DAF accounts in the U.S., donors are increasingly choosing these accounts to facilitate their giving and amplify their impact on charitable causes.

¹ T. Rowe Price Charitable is an independent, nonprofit corporation and donor-advised fund founded by T. Rowe Price to assist individuals with planning and managing their charitable giving.

² You will not receive a second charitable deduction at the time a grant distribution is made from your DAF.

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