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Which giving strategy fits your financial goals?



Key takeaways

- The right charitable giving strategy starts with considering what you want your gift to accomplish and how it fits into your financial plan.
- Donor-advised funds can provide flexibility around future giving, while appreciated investments can help you make a charitable gift without selling the asset first.
- Bunching may be useful when you want to concentrate charitable deductions into a single tax year while maintaining a consistent level of giving over time.
- You may be able to combine multiple giving strategies depending on your goals, assets and broader financial picture.

As year-end approaches, you may be thinking about how much you want to give to charity. But the dollar amount is only part of the decision. Because charitable gifts can affect your investment portfolio, tax situation, cash flow and estate plan, you might also consider how you'll make your contribution.

For example, do you want to make a larger gift this year while keeping flexibility around how much you give in the future? Are you holding investments that have increased significantly in value? Do you generally give a consistent amount each year but want to be more intentional about when you claim charitable deductions?

Thinking about what you want your giving to accomplish can help point you toward different strategies. Understanding how those strategies work can help you decide which approach may be a good fit for your year-end giving.

Donor-advised funds

A donor-advised fund (DAF) can be useful if you want to make a charitable contribution now while giving yourself more time to decide which eligible organizations you want to support.

A DAF is typically sponsored by a financial institution or similar organization. You contribute cash or other eligible assets and recommend grants to eligible charities over time, which can give you flexibility if you're not yet sure what organizations you'd like to support. If you itemize deductions, you may also receive a tax benefit when you contribute to the fund.

A DAF can also be useful in higher-income years. If you've recently received a raise, bonus, vested equity or other increase in income, you could contribute a larger amount than you'd typically give and recommend grants to charities over time.

There are also tradeoffs to consider. Contributions to a DAF are generally irrevocable, so once assets are contributed, they generally cannot be withdrawn for personal use. DAFs may also have administrative or investment fees as well as rules around which assets and organizations are eligible.

If you typically give smaller amounts each year, the benefits of a DAF may not outweigh the costs and added structure. The key is to consider whether a DAF fits your near-and-long-term goals around charitable giving.

Appreciated investments

If you own investments that have increased significantly in value, you might explore donating them directly to an eligible organization.

By giving an investment as is rather than selling it and donating the cash, you generally avoid recognizing a capital gains tax on the donated portion, subject to applicable rules and limitations. You may also be able to claim a charitable deduction.



This approach could be worth considering if you're planning to make a charitable gift and have investments you no longer need to hold. Donating them may serve the dual purpose of supporting a cause you care about while reducing your exposure to an investment that has significantly appreciated.

Deciding whether to donate or hold an investment will depend on its growth and role in your portfolio, along with your broader tax and financial strategy. Gifting an appreciated holding also means forfeiting any future gains, so the tax benefits are only one part of the decision.

Bunching

Bunching may be worth considering if you give a relatively consistent amount each year. It can be especially useful if your charitable contributions are close to the amount where it makes sense to itemize deductions for a greater tax benefit.

Bunching generally involves concentrating several years of charitable contributions into a single tax year rather than making smaller gifts every year. For example, if you typically give $10,000 a year, you might contribute $30,000 in one year and make smaller gifts in the following two years.

The idea is to create a larger charitable deduction in one tax year while maintaining your intended level of charitable support over time. A DAF can be one way to put this strategy into practice, but you could also donate directly to the organizations if that fits your giving goals.

Whether bunching makes sense depends on your tax situation, including whether you itemize your deductions and how your charitable contributions fit within that. A larger one-time contribution is not necessarily more beneficial than giving the same amount annually.

Plan your giving before year end

These strategies do not have to be mutually exclusive. Depending on your goals, assets and broader financial picture, you might incorporate multiple approaches into your charitable giving plan. For example, you might contribute appreciated investments to a DAF while continuing to make cash gifts directly to charities you support.

Our decision matrix can help you compare these approaches and identify which ones may be worth exploring based on your circumstances.

Some strategies require more advance planning than making a cash gift. Transferring investments or other assets can take time, and each type of gift may have its own requirements and deadlines. If you are considering a larger year-end contribution, starting early can give you time to evaluate your options and complete any necessary transactions before year end.

As you plan your charitable giving for this year, consider bringing your thoughts and questions to your advisor. They can help you consider how different giving strategies fit with your tax situation, investment portfolio and broader financial goals.



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