

Moves to Make with Your Major Donors Before Year-end

Brad Cecil &
ASSOCIATES

Important Dates

- Check – must be postmarked by December 31 if using USPS
- Credit Card – submit by 11:59 on December 31
- Cryptocurrency – must be received by December 31
- Stock Certificates – must be postmarked by December 31
- Money Wire – initiate transfer by December 23
- Stock, bonds and ETF – initiate December 22
- Mutual Funds – initiate transfer ASAP must be received by December 30
- Real Estate, Closely Held Stock, Special Securities – initiate ASAP must be transferred by December 31
- QCD funds must come out of account by December 31

Moves to Make with your Donors before Year-end

- Reach out and communicate to your donors. Using assumptive language thank them for their generosity and continued support and provide some helpful suggestions for year-end giving
- Share with them that you are sending key dates and other important reminders about year-end giving
 - Postal letter
 - Email
- Research in each donor and make specific suggestions from your research
 - Age
 - Income
 - Net worth
 - etc

RMD and QCD

Required Minimum Distribution (RMD)

- A RMD is an IRS-mandated amount of money that must be withdrawn from traditional IRAs and most 401K or 403b plan
- Congress allowed people to suspend taking Required Minimum Distributions for 2020, but are required now
- At age 72 the IRS mandates that you start taking withdrawals from most qualified retirement accounts
- April 1 deadline for first year 72
- December 31 deadline after 73+
- The IRS taxes RMDs as ordinary income.

IRS UNIFORM LIFETIME TABLE

To calculate RMDs, use the following formula for each account:

$$\begin{array}{l} \text{Account Balance} \\ \text{as of December 31 last year*} \end{array} \div \begin{array}{l} \text{Life Expectancy Factor} \\ \text{see the Uniform Lifetime} \\ \text{Table** below to find the factor} \\ \text{using the age you turn this year} \end{array} = \text{Your RMD}$$

Example

$$\begin{array}{l} \text{\$100,000.00} \\ \text{Account Balance} \\ \text{as of December 31 last year*} \end{array} \div \begin{array}{l} \text{27.4} \\ \text{Divisor} \\ \text{IRA owner turned 72 this year} \end{array} = \text{\$3,649.64}$$

Uniform Lifetime Table

Age	Life Expectancy Factor	Age	Life Expectancy Factor
72	27.4	84	16.8
73	26.5	85	16.0
74	25.5	86	15.2
75	24.6	87	14.4
76	23.7	88	13.7
77	22.9	89	12.9
78	22.0	90	12.2
79	21.1	91	11.5
80	20.2	92	10.8
81	19.4	93	10.1
82	18.5	94	9.5
83	17.7	95	8.9

Qualified Charitable Distribution (QCD)

- A QCD is usually a direct transfer from your retirement fund custodian
- QCDs can be counted toward satisfying your RMD for the year
- Requirements
 - Must be 70 ½
 - QCDs are limited to the amount that would otherwise be taxed as ordinary income
 - The maximum annual amount that can qualify for a QGD is \$100,000.
 - If you file jointly your spouse can also make a QCD from their account up to \$100,000
 - For a QCD to count towards your current year RMD, the funds must come out of account by December 31

Donate Securities

Donate Appreciated Securities

- One of the most effective strategies for giving at year-end is to donate appreciated securities
- Donors must have held securities for at least one full year
- Donors that use this strategy generally can eliminate capital gains tax
- Long-term capital gains tax is typically 15-20% depending on donor income level
- Donors will be able to deduct the appreciated value of the securities as well as avoid capital gains tax - this provides double benefit to the donor

Sell Depreciated Securities and Donate the Cash from the Proceeds.

- Tax-loss Harvesting
 - The donor sells securities that have been held for more than a year and have lost value
 - The donor then uses the proceeds from the sale to make a charitable contribution
 - The donor can take the capital loss and a tax deduction on the charitable gift
 - Capital losses can be used to offset capital gains
 - Donors can claim a charitable deduction on the donated cash

Bunching

Utilize both Standard and Itemized Deductions

- Some donors may determine that the total of their itemized deduction is below the level of the standard deduction
- In that situation, it could be beneficial to combine or bunch their 2022 and 2023 contributions into this year
 - Itemize deductions for 2022
 - Take standard deduction for 2023
- Bunching strategy can help the donor achieve a large charitable impact and produce a larger two-year deduction.

State Deductions

Local Charitable Tax Benefit by State

Residence	State/Local Individual Income Tax?	State/Local Charitable Tax Benefit?	Maximum State/Local Charitable Tax Benefit
Alabama	YES	YES	3.15%
Alaska	NO	N/A	N/A
Arizona	YES	YES	2.98%
Arkansas	YES	YES	5.50%
California	YES	YES	13.30%*
Colorado	YES	YES	4.55%*
Connecticut	YES	NO	0.00%
Delaware	YES	YES	6.60%
District of Columbia	YES	YES	10.75%*
Florida	NO	N/A	N/A
Georgia	YES	YES	5.75%
Hawaii	YES	YES	11.00%*
Idaho	YES	YES	6.00%
Illinois	YES	NO	0.00%
Indiana	YES	NO	0.00%
Iowa	YES	YES	5.37%
Kansas	YES	YES	5.70%
Kentucky	YES	YES	5.00%
Louisiana	YES	NO	0.00%
Maine	YES	YES	7.15%*
Maryland	YES	YES	5.75%
Baltimore County	YES	YES	8.95%
Montgomery Co.	YES	YES	8.95%
Prince George's Co.	YES	YES	8.95%
Massachusetts	YES	NO	0.00%
Michigan	YES	NO	0.00%
Minnesota	YES	YES	9.85%*
Mississippi	YES	YES	5.00%
Missouri	YES	YES	5.30%

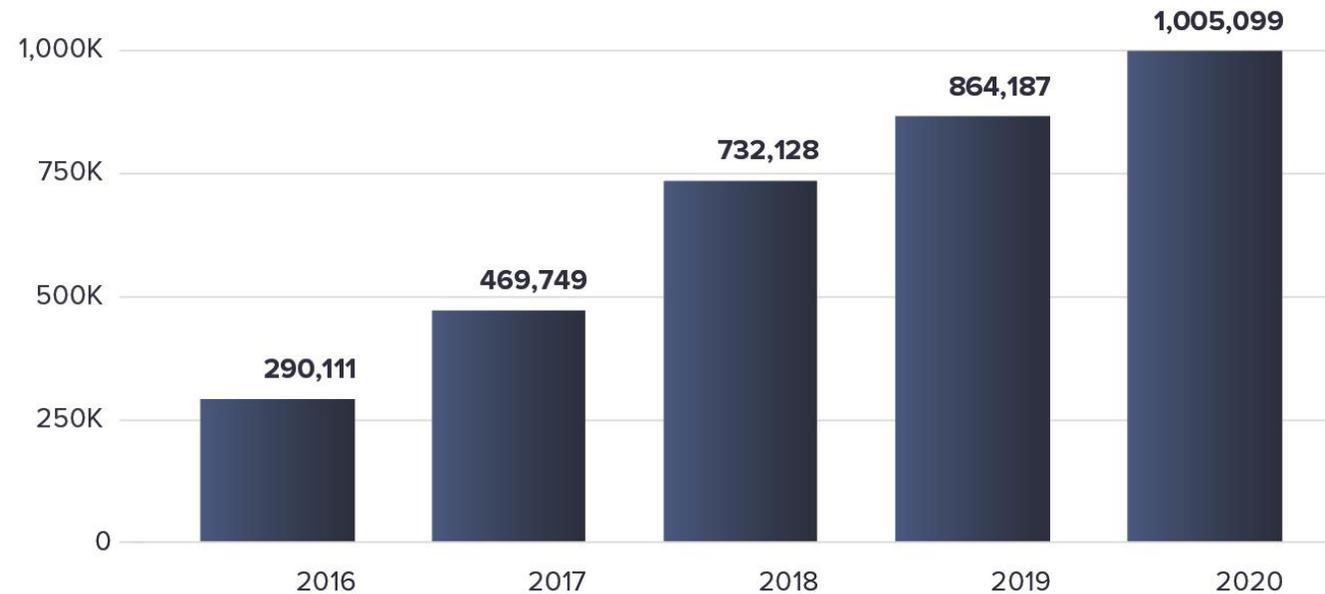
Residence	State/Local Individual Income Tax?	State/Local Charitable Tax Benefit?	Maximum State/Local Charitable Tax Benefit
Montana	YES	YES	6.75%
Nebraska	YES	YES	6.84%
Nevada	NO	N/A	N/A
New Hampshire	YES	NO	0.00%
New Jersey	YES	NO	0.00%
New Mexico	YES	YES	5.90%
New York	YES	YES	6.33%*
New York City	YES	YES	10.21%*
Yonkers	YES	YES	7.39%*
North Carolina	YES	YES	4.99%
North Dakota	YES	YES	2.90%
Ohio	YES	NO	0.00%
Oklahoma	YES	YES	4.75%
Oregon	YES	YES	9.90%
Clackamas County	YES	YES	10.90%
Multnomah County	YES	YES	13.90%
Washington County	YES	YES	10.90%
Pennsylvania	YES	NO	0.00%
Rhode Island	YES	NO	0.00%
South Carolina	YES	YES	6.50%
South Dakota	NO	N/A	N/A
Tennessee	NO	N/A	N/A
Texas	NO	N/A	N/A
Utah	YES	YES	6.00%*
Vermont	YES	YES	5.00%*
Virginia	YES	YES	5.75%*
Washington	NO	N/A	N/A
West Virginia	YES	NO	0.00%
Wisconsin	YES	YES	5.00%*
Wyoming	NO	N/A	N/A

Donor-advised Funds

Donor-Advised Funds

 National Philanthropic Trust
2021 DONOR-ADVISED FUND REPORT

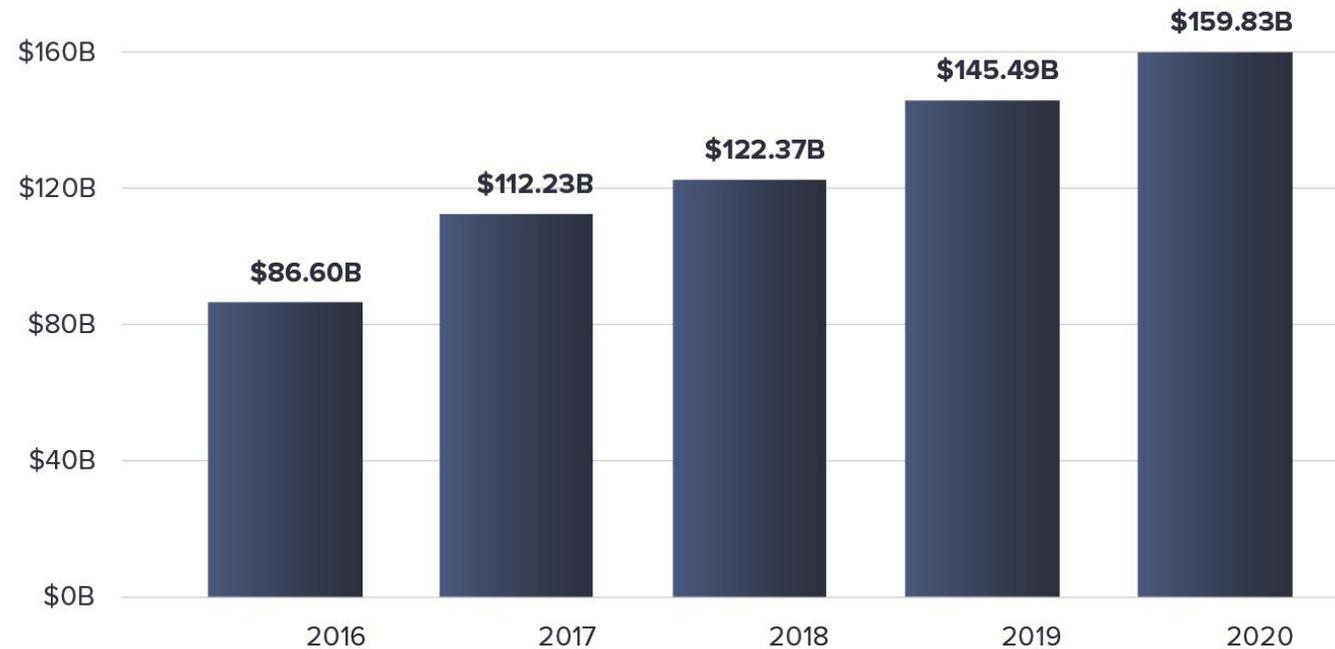
FIGURE 4: Total Number of Donor-Advised Fund Accounts



Donor-Advised Funds

 National Philanthropic Trust
2021 DONOR-ADVISED FUND REPORT

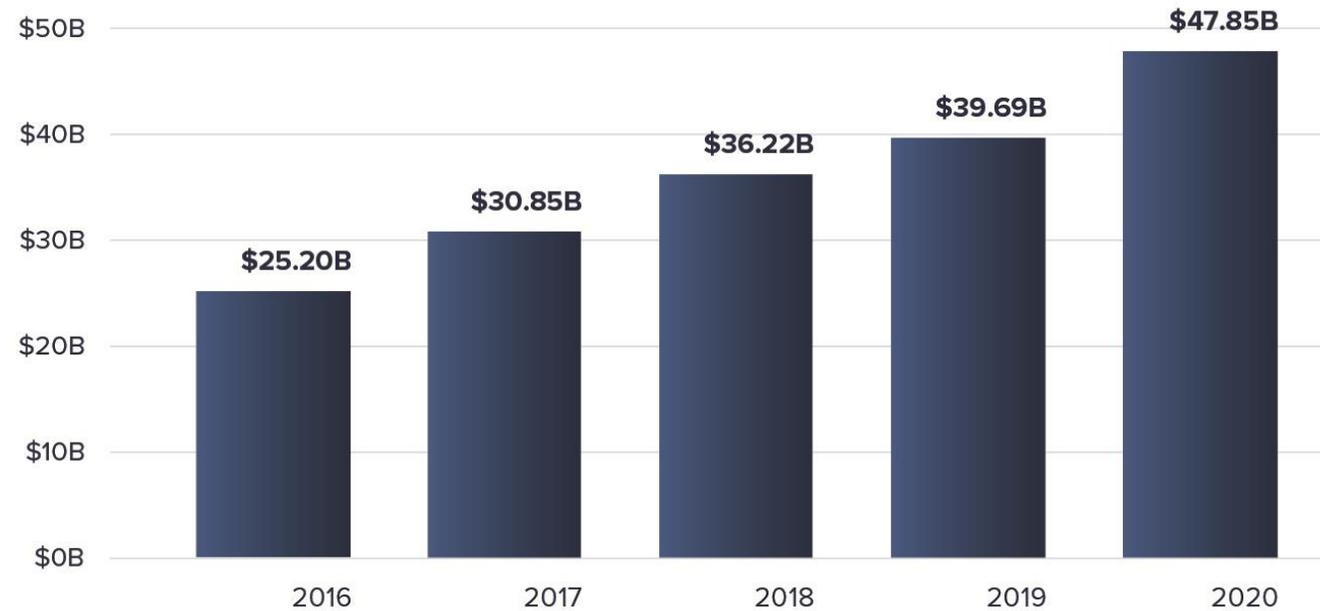
FIGURE 3: Total Assets in Donor-Advised Funds (\$B)



Donor-Advised Funds

 National Philanthropic Trust
2021 DONOR-ADVISED FUND REPORT

FIGURE 2: Total Value of Contributions to Donor-Advised Funds (\$B)



Inflation

Philanthropy in Inflationary Times

- Inflation impacts charitable giving
- Ask your donors about the impact of inflation on them
- Encourage your donors to make unrestricted gifts to the organizations they support
- Be prepared to discuss the impact of declines in asset value
- Be prepared to discuss tax-loss harvesting

Markets

US

Futures

Global

Commodities

Currencies

DOW [↗](#)

33,894.88

-535.00 (-1.55%)

S&P 500 [↗](#)

3,989.81

-81.89 (-2.01%)

NASDAQ [↗](#)

11,210.13

-251.37 (-2.19%)

Russell 20... [↗](#)

1,839.24

-53.60 (-2.83%)

US Oil WTI [↗](#)

76.82

-3.16 (-3.95%)



1D

5D

1M

1Y

5Y

Max

US markets close in 1 hour 20 minutes

Markets

US

Futures

Global

Commodities

Currencies

DOW [↗](#)

33,872.66

-557.22 (-1.62%)

S&P 500 [↗](#)

3,987.97

-83.73 (-2.06%)

NASDAQ [↗](#)

11,204.97

-256.53 (-2.24%)

Russell 20... [↗](#)

1,839.25

-53.59 (-2.83%)

US Oil WTI [↗](#)

77.02

-2.96 (-3.70%)



1D

5D

1M

1Y

5Y

Max

US markets close in 1 hour 16 minutes

Conclusion

Remember

- Donors give primarily because they believe in your mission and trust your organization – the tax benefit is secondary
- Strategic philanthropy is beneficial for both your organization as well as your donors
- Be willing to be a philanthropic advisor to your donors
- Always be a good steward of the relationship as well as the resources the donor has entrusted to your organization
- Be mindful to fulfill your stewardship obligations to your donors

Questions?

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