THE MACKINS AT BLEAKLEY FINANCIAL GROUP

DONOR-ADVISED FUNDS

MANAGE TAX BENEFITS OF YOUR CHARITABLE INTENT

MARCH 2021

Bleakley FINANCIAL GROUP

The Strategy

BLENDING PRACTICALITY WITH PHILANTHROPY

A donor-advised fund (DAF) can be considered a charitable investment account that serves to support the philanthropic organizations you care about.

DAFs are one of the fastest-growing charitable vehicles in the United States and for good reason.

Depositing assets into a DAF for a tax deduction may be a better alternative to donating cash directly to a charity. DAFs could be used to rebalance your portfolio while managing the impact of capital gains and estate taxes. A DAF donor can provide financial support to favored charities at any time and invest the balance of the account in a diversified mix of assets.

While the COVID-19 global pandemic created challenges in the markets, most major equity averages rebounded or exceeded expectations by the end of 2020. The S&P 500 ended the year with an increase of about 14 percent, well above the five percent that was forecast.The Nasdaq Composite reached 9,845.69 in June of 2020, an all-time high.

As 2021 unfurls, the question is shifting to looking at tax efficient ways to rebalance portfolios from these gains.

Depositing assets into a donor-advised fund, or DAF, can be a solution for investors who want to look to reduce their tax burden.

BENEFITS OF A DONOR-ADVISED FUND

- Immediate income tax deduction
- Avoid or reduce capital gains tax
- Reduce estate tax
- Retain cash for other investments
- Delayed distribution allows tax-free growth for reinvestment
- Regular disbursements to favored charitable causes

Due to the immediate tax benefit from the contributions, donor-advised funds are irrevocable. This one drawback should be considered as there are no circumstances in which the funds can be returned.

How it works

DONOR-ADVISED FUNDS

DONOR CONTRIBUTES

POTENTIAL GROWTH

CHARITIES BENEFIT

AN EXAMPLE

Instead of donating $5,000 per year in cash to your favorite charity, you donate stock valued at $25,000. Assume $10,000 basis as a single donation to your DAF. You may be able to deduct the full $25,000 off of your tax return (restrictions apply), avoid the $15,000 gain on the stock, and use the cash you would have donated to the charity to establish a new basis in your investments. In turn, you can make donations from the DAF to the charities of your choice at any time. Many individuals find that claiming large deductions during their working years has more tax saving benefits than smaller deductions during retirement.

This is a hypothetical example and is not representative of any specific investment. Your results may vary.

TYPES OF ASSETS

Rather than charitable cash donations that may impede your ability to establish basis in other investments, a donor-advised fund lets you donate a variety of assets, including:

- Public company stock
- Mutual fund/ETF shares
- Bonds
- Money in IRAs and 401(k)s
- Private company C-corp and S-corp stock
- Hedge fund interests
- Limited Partnership and LLC interests
- Life insurance
- Private equity
- Pre-IPO shares
- Oil and gas royalties

The Mackin Team will look to help you develop a strategy that manages your charitable giving goals while aiming to maximize your tax benefits.

Find out if a donor-advised fund would work well for you: 973.701.6178

973.701.6178

Sources:
https://www.fidelitycharitable.org/giving-account/what-you-can-donate.html
https://www.forbes.com/advisor/investing/stock-market-year-in-review-2020/
https://www.nerdwallet.com/article/taxes/donor-advised-funds
https://www.nptrust.org/reports/daf-report/

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Christopher Mackin is solely an investment advisor representative of Bleakley Financial Group, LLC and not affiliated with LPL Financial.

Rebalancing a portfolio may cause investors to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. 36653-1