

DCCF is pleased to offer this charitable giving information for your use. Many clients will be considering charitable giving during the fourth quarter. Please reach out to us at any time if we may assist you in responding to your clients' wishes, whether through a donor-advised fund, QCD, or other charitable transaction. Thank you!

Elections and giving: Tips for advising your clients

Individuals who are passionate about community causes are frequently also passionate advocates for candidates running for public office. Indeed, according to the Pew Research Center, the percentage of Americans making political contributions has doubled in recent decades, from 6% in 1992 to 12% in 2016. By contrast, the percentage of Americans giving money to charity stands at a new low of 73% in 2020, according to a Gallup poll, down from a previous low of 79% in 2009.

Still, the number of Americans giving to charity each year remains significantly higher than the number of Americans making political contributions. Charitable giving is still going strong, relatively speaking, even in the midst of political frenzy. Indeed, historically, charitable giving is influenced, but not negatively affected, in election years. With elections top of mind for your clients, how can you best advise them about their charitable priorities? Consider the following:

- Share the statistics with your clients. Many clients may not realize that the number of people giving to charity each year is going down, and that community organizations are an important component of the social fabric that helps improve quality of life for citizens.
- Remind clients that in the face of uncertainty about potential tax law changes, it is generally a reasonable approach for clients to continue with charitable giving plans as they normally would. Most clients probably don't "give away a dollar to save 50 cents," and community needs are as urgent as ever in 2020.
- Encourage clients to reach out to the organizations they support to learn about unique needs this year due to economic hardship and the ramifications of the pandemic.

As always, our team is happy to be a resource and sounding board.

An eye toward year-end tax planning

Appreciated stock, anyone?

Yes, 2020's stock market has been a rollercoaster, but as you guide your clients into year-end, don't forget the powerful benefits of giving appreciated securities to a donor-advised fund at the community foundation. Now is the time to start helping your clients with tax planning. Remember, not all stock is down! For many clients, 2020 is an excellent year for year-end giving.

Closely-held business exits

Clients who are preparing to sell a business should start thinking ahead about charitable planning. Before any deal is struck, or any binding commitments discussed, encourage your client to consider the benefits of making a gift of their closely held stock to a charitable

entity, such as a donor-advised fund at the community foundation. Remember, though, that the "step transaction" doctrine is still very much alive and well. The IRS could argue that the transfer of stock to a charity should be treated as "combined" with the sale of the stock, thereby eliminating the tax benefits of the charitable transaction. The IRS could win this argument if the facts indicate that the multiple "steps" in the process were really just a single-step transaction when considering the intent and economic reality of the taxpayer's actions.

Higher income Roth IRA conversions

Last but not least, consider the step transaction doctrine when you are advising your high income-earning clients on

whether to pursue the so-called "back door" Roth IRA planning strategy. When a client's modified adjusted gross income crosses the IRS's designated phase-out thresholds, contributions to a Roth are no longer permitted. Contributions to a traditional IRA, however, are not subject to income limitations. In addition, there are no income limits on who can convert from a traditional IRA to a Roth. So, with the "back door" strategy, your client makes a contribution to a traditional IRA using after-tax dollars and then executes a tax-free Roth conversion. Consider carefully researching these issues and even advising clients to wait several months between the contribution and the conversion, just in case.



Corporate giving programs: Opportunity in the COVID era

According to the just-released 2020 Porter Novelli Executive Purpose Study, more than 80% of large company executives believe for-profit companies have a responsibility to play a role in resolving social issues. The study also found that most executives believe a social impact strategy improves customer loyalty (93%) and helps motivate a buying decision (91%).

How should you approach advising your corporate clients about the structure for their social impact programs, especially now that those programs play an increasingly important role in philanthropy? Encourage corporate clients to consider the component parts of a well-rounded corporate social responsibility program, such as these:

Mission

Embrace and follow an overarching mission statement, consistent with the purpose of the business and integrated into the company's objectives for success to reinforce the company's values in the community.

Structure

Typically, a corporate foundation serves as the hub — or at least a key part — of the overall corporate social responsibility program. Companies are wise to evaluate what type of corporate foundation structure would be most effective. For example, a corporate donor-advised fund at the community foundation can be established as a tax-advantageous "ABC Corporation Foundation," allowing the company and its team to stay in the forefront as the face of the corporate foundation while utilizing the behind-the-scenes capabilities of the community foundation to process grants, handle accounting, receive and process gift transactions, and maintain records.

Alignment

A strong program includes a mechanism for ongoing cause identification and research to stay current with employee, customer, and community trends. It also helps when a company can make a case for why corporate causes are aligned with the business's purpose and the needs of the overall population of its industry or marketplace.

Engagement

Employee engagement and participation in a company's community relations and investment program will drive employee loyalty and retention and, in turn, consumer brand engagement. Companies should harness the enthusiasm of employee-led volunteer and fundraising activities.

Communications and sales

Celebrate the company's program in a manner that is integrated with, and complementary to, the company's overall brand image and public relations strategies. This occurs in the media, through events, on the website, in printed materials, and social media.

Evaluation and reporting

Best practices suggest ongoing monitoring of the results of the program against one or more indicators of success, including employee engagement, employee loyalty, operating efficiency, community impact of money invested, customer perception, and marketplace reputation.



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CELEBRATING 20 YEARS

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