Douglas County Community Foundation
CELEBRATING 20 YEARS

# Financial Advisor News

June 2020

# Donor-advised funds: Working hard for our community

Donor-advised funds are a popular charitable giving tool. And right now is a perfect time to evaluate this planning strategy for your clients.

In recent years, donor-advised funds have been one of the fastest-growing philanthropic planning tools in the marketplace. Donor-advised funds are popular because they allow an individual or family to make a tax-deductible transfer that qualifies as a charitable contribution, and then recommend grants to favorite charities from the fund when the time is right. A donor-advised fund operates a lot like a checking account for charity, and it's established according to IRS guidelines that provide tax advantages for the donor as well as administrative efficiencies.

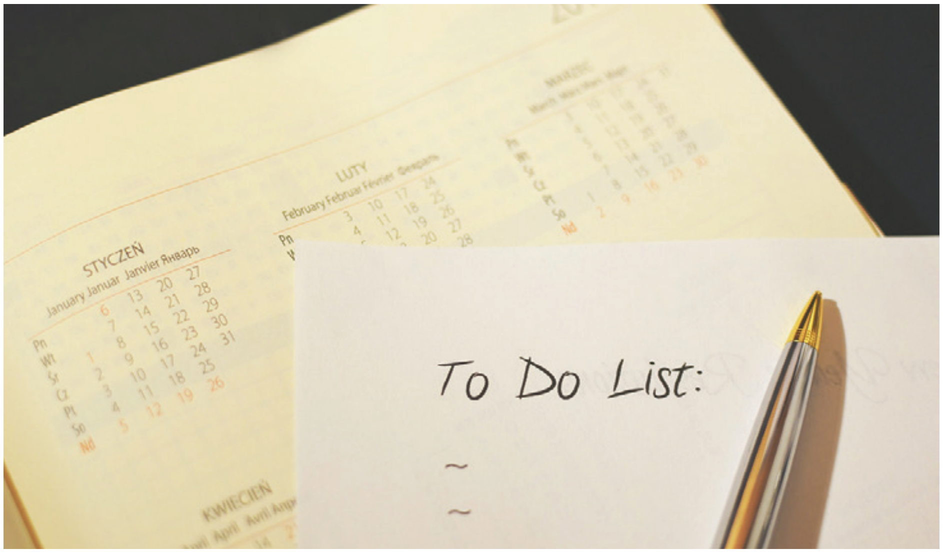
In the midst of the Covid-19 pandemic, giving from donor-advised funds at community foundations is accelerating. This is creating a significant boost for nonprofits and people in need. Indeed, the global healthcare crisis is precisely the reason that many donors established donor-advised funds in the first place: To be ready to give when needs are the highest.

According to a recent survey conducted by the Community Foundation Public Awareness Initiative, grants from donor-advised funds among the 64 community foundations surveyed increased nearly 60% in March and April 2020 compared with March and April 2019.

To be sure, donor-advised funds can be an important “lifeline” for community organizations during periods of hardship, as noted by Bruce Hopkins, a University of Kansas School of Law professor.

Consider working with your clients to activate their existing donor-advised funds or establish new donor-advised funds to help respond to the needs created by Covid-19. A donor-advised fund helps the community right now and also allows your clients and their families to build a nest egg to address our community's needs during future crises.

# Important reminders: QCDs and CLATs




Our recent communications have highlighted the unique importance of Qualified Charitable Distributions (QCDs) and Charitable Lead Annuity Trusts (CLATs) in today's market conditions. Given the critical needs facing our community right now, the team at the community foundation wants to reiterate the value of these two planning tools. We're inviting you to contact us if you have any questions about how these charitable giving techniques can help you and your clients immediately support people in need.

In the case of Charitable Lead Annuity Trusts, some experts are heralding a "golden age of CLATs" because of the convergence of historically low interest rates and depressed asset values. The timing may never be better for your clients to use a CLAT to create an income stream to charities, thereby satisfying their current goals for amping up philanthropy in this period of extreme need, and simultaneously establish a future gift to heirs with the trust's remainder.

Don't overlook Qualified Charitable Distributions, either, as a way to meet the urgent needs of the charities your clients want to support. The Coronavirus Aid, Relief, and Economic Security (CARES) Act waives Required Minimum Distributions for most taxpayers. The provision includes not only distributions from 401(k)s and IRAs, but also defined benefit pension plans and 457 plans. Taxpayers who have reached 70½ years of age still can take advantage of the Qualified Charitable Distribution, enabling a taxpayer to direct up to $100,000 from an IRA to qualified charities. The distribution is not included in taxable income.

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