Douglas County Community Foundation

Professional Advisor News

Fourth Quarter 2022

Charitable giving in a bear market, the benefits of a donor-advised fund, and Giving for Good

Hello from DCCF!

On this Giving Tuesday, we are thankful for your expert advice in furthering your clients' goals. We are kicking off **Giving for Good**, which runs through December 31, to benefit local organizations. Your clients may participate through a donor-advised fund, through a Qualified Charitable Distribution, or through cash or asset gifts. Please reach out to us with any questions they may have.

We hope you enjoy the updates and, as always, we look forward to hearing your comments and suggestions about topics and resources that would be useful to you as you serve your philanthropic clients.

Thank you for all you do to make our community a better place by assisting your clients with charitable planning. It is our honor and pleasure to support your work in any way we can.

Happy Holidays!

Chip Blaser
Executive Director

THE BEAR MARKET

Hanging in there: Charitable giving in a challenging economy

Earlier this year, Bankrate and Psych Central released the Money and Mental Health study and, not surprisingly, a large number of people surveyed in the research reported that money has a negative impact on their mental health. Survey results varied across generations: Financial concerns psychologically impact 48 percent of Millennials, 46 percent of Generation X, and 40 percent of Generation Z. Needless to say, every generation will feel the sting of any bear market, including (and especially) Baby Boomers.

At the moment, economic conditions feel, well, awful. Some people feel better if they can gain a better understanding of the factors that created the unpleasant mix of inflation, rising interest rates, and a bear market in the first place. Others are comforted knowing they are not alone as they ride the emotional rollercoaster. And for those who are charitably inclined, challenging economic times might actually serve as an inspiration to become more intentional about charitable giving priorities. What's more, not all donors will reduce their donations.

Here are three messages worth sharing with your philanthropic clients as bear market conditions hang on into the fourth quarter:

"Not all stocks are down." Giving appreciated stock to a donor-advised fund or other type of fund at DCCF is always a tax-savvy alternative to giving cash, regardless of the economic situation. Your clients may feel disappointed that their portfolios have hit a rough patch, but this does not mean that there aren't still plenty of opportunities to avoid capital gains tax on stocks held for more than a year. (Take a look at the historical share price of Apple, for example, and imagine the capital gains tax liability for clients who have held the stock for several years.)

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Hanging in there, continued

“Consider the needs of others who are even more acutely feeling the pinch of inflation.” Community needs are rising, and DCCF is dedicated to staying on top of the issues that are critically important to quality of life at any given time. Families with low or moderate household incomes can be especially vulnerable to high inflation. DCCF can help your clients zero in on nonprofits in our community that are serving the people who need the most help right now.

“Don’t forget about the Qualified Charitable Distribution.” We mention this tool a lot because it is such a financially savvy way for your clients to support the charities they care about. If your client has reached the age of 70 1/2, they may be eligible to make annual distributions of up to $100,000 per spouse from IRAs directly to an unrestricted or field-of-interest fund at DCCF or other qualifying public charity. QCD transfers count toward satisfying clients’ Required Minimum Distributions and avoid the income tax on those funds. Plus, those assets are no longer part of a client’s estate at death, which avoids estate taxes, too. What’s more, the QCD may get a boost if the EARN Act becomes law; proposed bipartisan legislation would expand the QCD rules to allow a one-time, $50,000 QCD to a split-interest trust such as a charitable remainder trust.

Strong year-end giving in a bear market: Donor advised funds come in handy

Giving appreciated stock to charitable organizations is certainly a highly effective tax strategy. During years when highly appreciated stock is in short supply, however, implementing this strategy may be easier said than done.

This is when donor-advised funds come in especially handy.

Now is the time to discuss charitable giving with those clients who regularly added to their donor-advised funds throughout the market’s long bull run. If these clients intend to ride out today’s market conditions in their personal portfolios, this year’s bear market doesn’t mean the clients’ year-end charitable giving has to take a hit. These clients can use their donor-advised funds to support their favorite organizations, sometimes even at levels consistent with prior years. DCCF is happy to help your clients assess year-end giving.

Similarly, for some clients, this may be a year to consider contributing cash to a donor-advised fund instead of donating highly appreciated stock (which has been the go-to gift for so many of the last several years). Gifts of cash could reduce the burden on a client’s personal stock positions that may have fallen in value dramatically, giving these positions more time to recover value and, at some point in the future, be contributed to a donor-advised fund at a higher value (thereby resulting in a higher tax deduction for the client).

Now may also be a good time for clients to consider using their cryptocurrency in creative ways to meet their charitable giving goals. Clients holding cryptocurrency may have come to the conclusion that it does not necessarily provide the protection against inflation they thought it would. A client could, for instance, sell their cryptocurrency at a loss and contribute the cash to their donor-advised fund. Then, the client can keep an eye on the cryptocurrency market and decide when — or whether — to wade back in.

Finally, consider encouraging your clients who have not yet established donor-advised funds at the community foundation to consider doing so now. Not only does a donor-advised fund help organize charitable giving, but over the long term it can also protect a client’s ability to support favorite charitable organizations even when market conditions are rough.

DCCF is always happy to help your clients maximize both the philanthropic and financial elements of their charitable giving strategies. We look forward to hearing from you.

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