



FOCUSED PLANNING

Donor-Advised Fund Analysis

For many people giving back to charity can be one of the most rewarding achievements in life. However, with complicated tax laws and a high standard deduction, many people find it difficult to write-off their charitable contributions on their taxes. The following analysis illustrates multiple benefits of donating assets to a donor-advised fund. It will explain how donor-advised funds work, show potential tax savings based on a specific gift, and illustrate a hypothetical scenario of granting to charities over time.

Prepared For: Mr. & Mrs. Valued Client

Prepared By: Valmark Advisor



Donor-Advised Funds

Reason To Utilize Donor-Advised Fund

Reason:	Highly Appreciated Asset
Description:	You can avoid paying capital gains tax by gifting the asset directly to charity, especially if you do not believe the asset will appreciate anymore.
Asset to Gift:	Appreciated Asset

Gift To Donor-Advised Fund

Gift Name:	Appreciated Stock
Basis:	\$50,000
Taxable Gain:	\$150,000
Total Gift:	\$200,000

How They Work

1 Contribution Of Assets

- Cash
- Stocks, bonds, mutual funds, ETFs, etc.
- Non-publicly traded assets like real estate, personal property, business interest, etc.

2 Donor Receives Tax Reduction

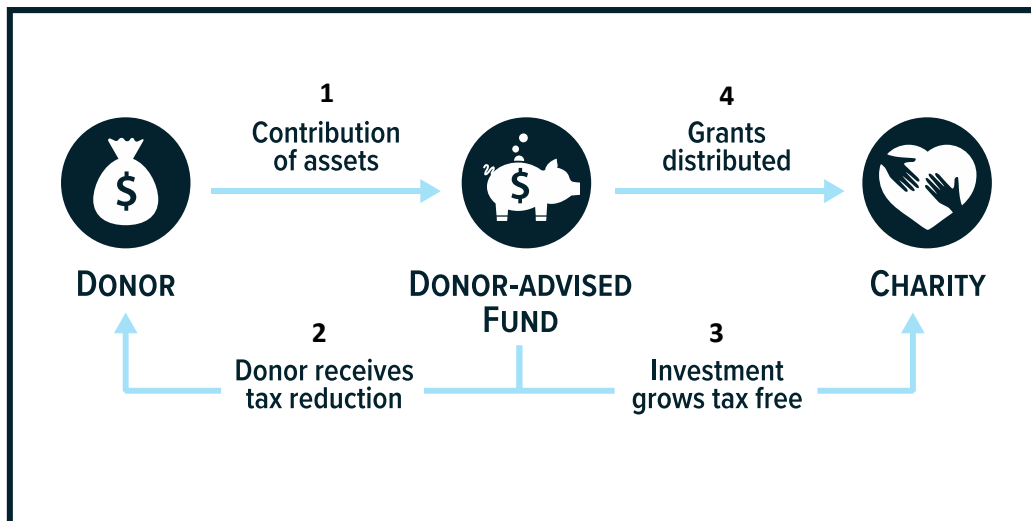
- Immediate itemized tax deduction in year 1:
 - Up to 60% of Adjusted Gross Income deduction for cash donations.
 - Up to 30% of Adjusted Gross Income deduction for appreciated asset donations.
- Donations in excess of the maximum allowable tax deduction will receive a 5-year carryforward.

3 Investment Grows Tax Free

- Donations can be liquidated and invested at the donor's choosing in a wide variety of stocks, bonds, mutual funds, ETFs, etc.
- Investment growth within the account is not taxed and distributions to eligible public charities are tax free.

4 Grants Distributed

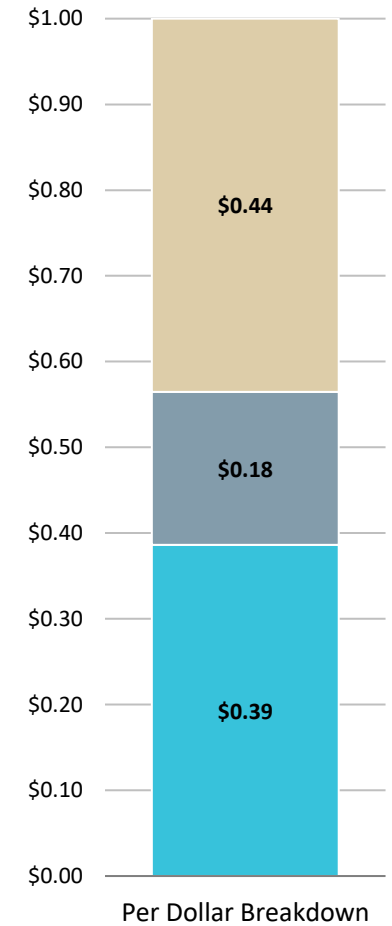
- Grants may be given to any qualified charity of your choice.
- No requirements on granting; you may let the funds accrue in the account to build an endowment.
- Can be used to promote philanthropic values within your family (i.e. Smith Family Charitable Fund).
- Tax reporting is simplified with only one charitable tax receipt.



Gifting Analysis

Below is a step-by-step analysis of the potential tax savings of both ordinary income taxes and capital gain taxes when gifting to a Donor-Advised Fund.

Steps	Income Breakdown	Analysis Selling Appreciated Stock	Analysis Gifting Appreciated Stock	Difference
Reduce Adjusted Gross Income	Ordinary Income	\$750,000	\$750,000	\$0
	+ Taxable Gains	\$150,000	\$0	(\$150,000)
	Return of Basis (Not Taxable)	\$50,000	\$0	(\$50,000)
	- Above The Line Deductions	\$0	\$0	\$0
	Adjusted Gross Income ¹	\$900,000	\$750,000	(\$150,000)
Increase Deductions to Lower Taxable Income	- Current Below The Line Deductions ²	\$40,000	\$40,000	\$0
	- Below The Line Deduction From Gift ³	\$0	\$200,000	\$200,000
	Taxable Income	\$860,000	\$510,000	(\$350,000)
Reduce Ordinary Income Taxes & Capital Gains Taxes	- Estimated Ordinary Income Taxes (Federal + State) ⁴	\$243,127	\$156,053	(\$87,075)
	- Estimated Capital Gains Taxes ⁵	\$35,700	\$0	(\$35,700)
	Total Estimated Net Income	\$671,173	\$593,947	(\$77,225)

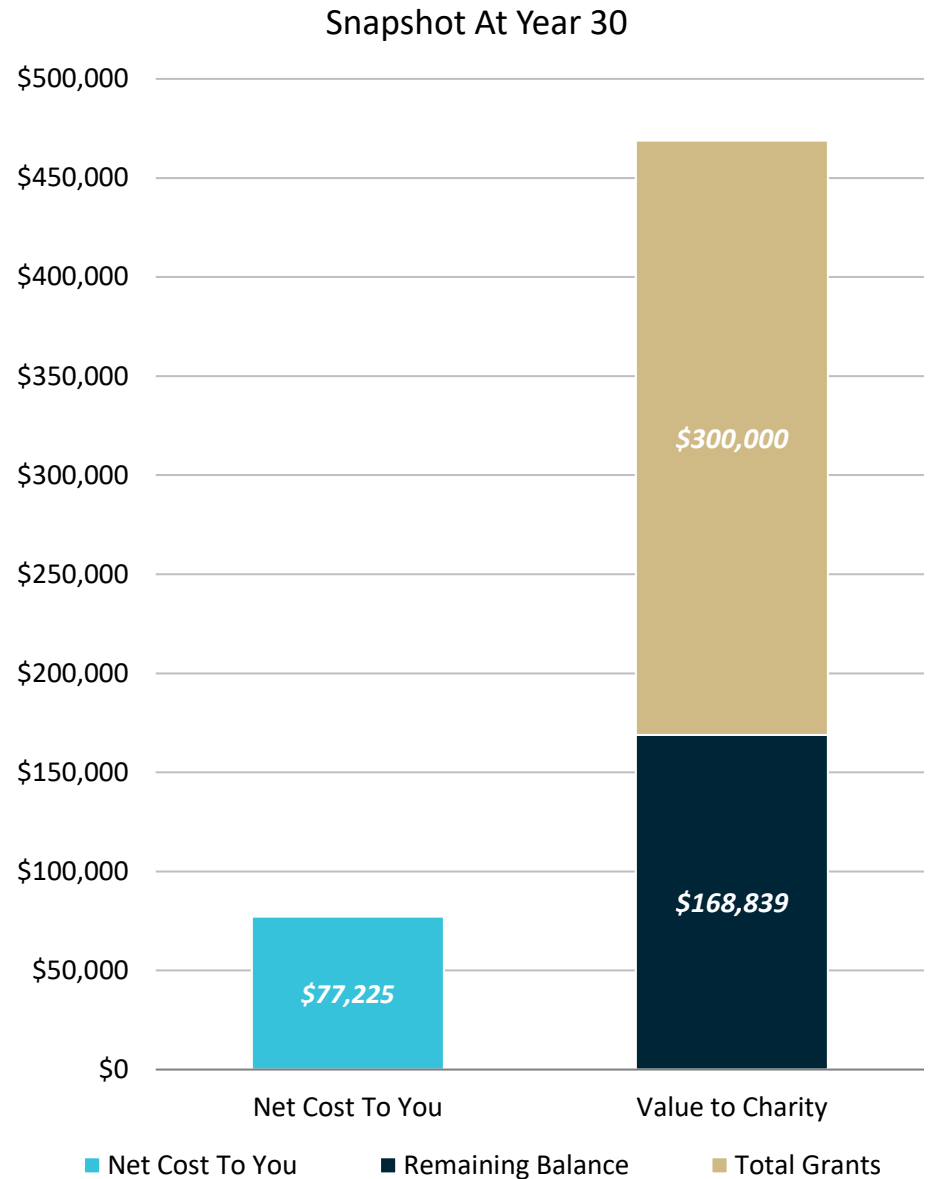


Gift Breakdown	Total Allocation	Per Dollar Breakdown	Description
Total Value to Charity	\$200,000	\$1.00	For every \$1 given to charity:
Total Ordinary Income Tax Savings	\$87,075	\$0.44	You will receive \$0.44 of Ordinary Income Tax Savings
Total Capital Gains Tax Savings	\$35,700	\$0.18	You will receive \$0.18 of Capital Gains Tax Savings
Total Net Cost to You	\$77,225	\$0.39	The Remaining Net Cost to you would be \$0.39

Scheduled Grants Analysis

The analysis below illustrates a hypothetical scenario of scheduled grants over a 30 year period. Assuming the investments held in the Donor-Advised Fund earn a 5.00% net rate of return, the donor would be able to give \$300,000 in grants to charity with an estimated remaining balance of \$168,839 for future grants.

Year	Gift(s) to Donor-Advised Fund	Net Cost To You	Account Balance	Scheduled Grants
			5.00%	
1	\$200,000	\$77,225	\$200,000	\$10,000
2	\$0	\$0	\$199,500	\$10,000
3	\$0	\$0	\$198,975	\$10,000
4	\$0	\$0	\$198,424	\$10,000
5	\$0	\$0	\$197,845	\$10,000
6	\$0	\$0	\$197,237	\$10,000
7	\$0	\$0	\$196,599	\$10,000
8	\$0	\$0	\$195,929	\$10,000
9	\$0	\$0	\$195,225	\$10,000
10	\$0	\$0	\$194,487	\$10,000
11	\$0	\$0	\$193,711	\$10,000
12	\$0	\$0	\$192,897	\$10,000
13	\$0	\$0	\$192,041	\$10,000
14	\$0	\$0	\$191,144	\$10,000
15	\$0	\$0	\$190,201	\$10,000
16	\$0	\$0	\$189,211	\$10,000
17	\$0	\$0	\$188,171	\$10,000
18	\$0	\$0	\$187,080	\$10,000
19	\$0	\$0	\$185,934	\$10,000
20	\$0	\$0	\$184,730	\$10,000
21	\$0	\$0	\$183,467	\$10,000
22	\$0	\$0	\$182,140	\$10,000
23	\$0	\$0	\$180,747	\$10,000
24	\$0	\$0	\$179,285	\$10,000
25	\$0	\$0	\$177,749	\$10,000
26	\$0	\$0	\$176,136	\$10,000
27	\$0	\$0	\$174,443	\$10,000
28	\$0	\$0	\$172,665	\$10,000
29	\$0	\$0	\$170,799	\$10,000
30	\$0	\$0	\$168,839	\$10,000
Total	\$200,000	\$77,225	\$168,839	\$300,000



Disclosures

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- Adjusted Gross Income (AGI) includes Gross Earned Income, Unearned Income (rental income, business income, interest income, up to 85% of Social Security income, IRA distributions, etc.), and Taxable Gains (Qualified dividends, capital gains) less any applicable Above the Line Deductions (qualified plan contributions, IRA contributions etc). Please see IRS Form 1040 for all above the line deductions. Return of Basis is not included in AGI.
- The Current Below Line Deductions are based upon information provided. Please see Schedule A on IRS Form 1040 for all potential itemized deductions.
- Additional Below The Line Deduction From Gift is calculated by taking the lesser of your AGI of \$750,000 multiplied by the charitable deduction for an Appreciated Asset donation of 30% equalling \$225,000 ($\$750,000 \times 30\% = \$225,000$) or your total gift of \$200,000. The remaining deduction of \$0 can be carried forward for the next 5 years.
- Below is the calculation for the Estimated Ordinary Income Taxes (Federal + State). The Donor-Advised Fund Module does not include the Federal Insurance Contributions Action (FICA) taxes that are withheld by an employer.
- Below is the calculation for the Estimated Capital Gains Taxes.

Estimated Tax Liability Calculation

	Pre Donor Advised Fund	Post Donor- Advised Fund
Ordinary Income	\$750,000	\$750,000
+ Taxable Gains	\$150,000	\$0
Return of Basis	\$50,000	\$0
- Above the Line Deductions	\$0	\$0
Adjusted Gross Income¹	\$900,000	\$750,000
- Below the Line Deductions	\$40,000	\$240,000
Taxable Income	\$860,000	\$510,000
- Federal Tax Liability	\$206,577	\$134,378
- State Tax Liability	\$36,550	\$21,675
Total Ordinary Income Tax Liability	\$243,127	\$156,053
- Capital Gains Tax Liability	\$35,700	\$0
Total Estimated Tax Liability	\$278,827	\$156,053
Total Estimated Net Income	\$671,173	\$593,947

Additional Medicare Surtax

The Additional Medicare Surtax for earned income (0.9%) is applied to any earned income in excess of the \$250,000 (for Married Filing Jointly).

Net Investment Income Tax

Estimated Medicare Surtax for net investment income (3.8%) is applied on the lesser of capital income or excess of modified adjusted gross income over \$250,000 (for Married Filing Jointly).

2019 Tax Bracket for Married Filing Jointly (Federal Tax Liability)				
Over	But Not Over	Tax Rate	Pre Donor Advised Fund Tax Liability	Post Donor-Advised Fund Tax Liability
\$0	\$19,050	10%	\$1,905	\$1,905
\$19,051	\$77,400	12%	\$7,002	\$7,002
\$77,401	\$165,000	22%	\$19,272	\$19,272
\$165,001	\$315,000	24%	\$36,000	\$36,000
\$315,001	\$400,000	32%	\$27,200	\$27,200
\$400,001	\$600,000	35%	\$70,000	\$38,500
\$600,001	+	37%	\$40,700	\$0

Additional Medicare Surtax (Federal Tax Liability)			
Earned Income	0.90%	\$4,500	\$4,500
Total Federal Tax Liability		\$206,577	\$134,378

State Tax Liability			
Estimated Ohio State Tax	4.25%	\$36,550	\$21,675
Total State Tax Liability		\$36,550	\$21,675

Capital Gains Tax Liability			
Capital Gains Tax Rate	20.00%	\$30,000	\$0
Net Investment Income Tax	3.80%	\$5,700	\$0
Total Capital Gains Tax Liability		\$35,700	\$0

Disclosures

General Disclosure

Any tax advice contained herein is of a general nature and is not intended for public dissemination. Further, you should seek specific tax advice from your tax professional before pursuing any idea contemplated herein. This advice is being provided solely as an incidental service to our business as (insurance professionals, financial planner, investment advisor, securities broker).

Report Is a Snapshot and Does Not Provide Legal, Tax, or Accounting Advice

This Report provides a snapshot of your current financial situation with the goal and to help create a plan of action. Before making decisions with legal, tax or accounting ramifications you should consult appropriate professionals for advice that is specific to your situation. Information provided about your financial goals and personal situation are based on the Donor-Advised Fund questionnaire. If any assumptions are incorrect, you should notify your financial advisor. Even small changes in assumptions can have a substantial impact on the results shown in this report.

Projections and Returns

The investment projections or other information generated by the Donor Advised Fund Analysis is hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. They represent mathematical calculations based on an assumed and consistent year over year rate of return. The actual returns of a specific product or accounts may be more or less than the returns used in this analysis. Financial forecasts, rates or return, and other assumptions may be used as the basis for illustrations. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment. No plan or report has the ability to accurately predict the future. As investment returns, inflation, taxes and other economic conditions vary from the Donor Advised Fund Analysis assumptions, your actual results will vary (perhaps significantly) from those presented in this Report.



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