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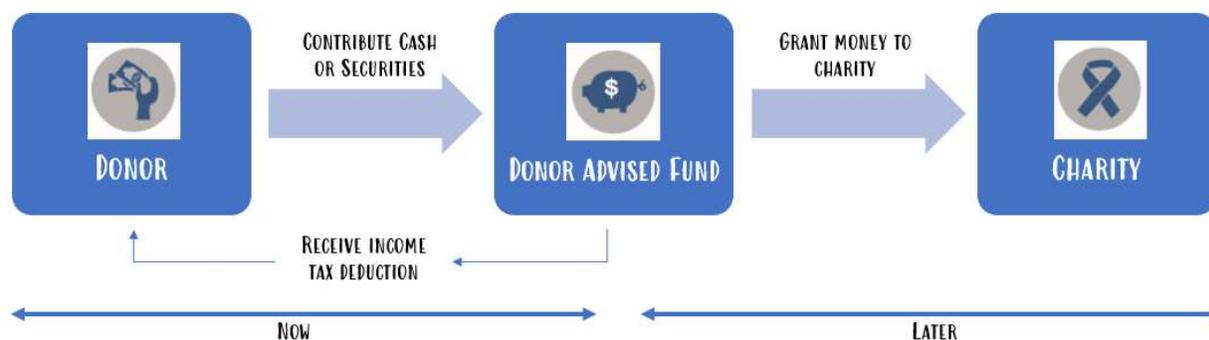
Donor Advised Funds



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What is a Donor Advised Fund?

A donor advised fund, or DAF, is like a personal charitable savings account. A donor creates an account and funds it with a contribution of cash or securities and can take an immediate tax deduction for the gift, with limited rules or regulations about how quickly the money must be distributed. The account is maintained by a supporting organization that invests the assets and manages the account for a fee. Once established, the donor can then request that a donation be sent from his DAF directly to an approved charity of his choosing.



Advantages and Drawbacks of a Donor Advised Fund

Donor advised funds offer some advantages over donating cash directly. A potential donor should carefully consider the potential drawbacks and consult a legal or tax advisor.

Advantages: Tax-deductible contributions, payout flexibility, donating securities in-kind can minimize your tax burden while maximizing your donation, administrative convenience.

Drawbacks: You cede control of the assets, the money doesn't have to go to a charity right away, there are minimums and fees, you may not like the underlying investment options.

“Front-Load” to Maximize the Tax Benefit

Given the tax changes effective in 2018 under the Tax Cut & Jobs Act (TCJA), donor advised funds have become more useful to many taxpayers. Under the new law, charitable contributions remain tax-deductible; however, it is much more difficult to realize tax benefits from itemization due to the increased standard deduction and the cap on state and local property taxes.

A donor advised fund may allow you to make contributions on your preferred schedule while also maximizing the tax benefit of your donations. By “front-loading” several years of charitable donations in a single tax year gift to your DAF, you can realize the tax benefits of an itemized deduction while also maintaining the freedom to make charitable gifts over time as you see fit.

Gifts of Appreciated Securities

In addition to the tax savings that can be generated from front-loading your contributions and itemizing your charitable donations, you can realize further tax savings by donating appreciated securities (such as stocks and mutual funds) to your DAF. If you have appreciated securities, this is perhaps the most tax-efficient way to contribute to a DAF, since you could realize a double tax benefit:

- ✓ Generate tax savings from the deduction of the donation, and
- ✓ Avoid capital gains taxes on the appreciated securities.

Gifts of appreciated securities can significantly reduce your tax liability and enhance the flexibility of your investment portfolio.

Is a Donor Advised Fund right for you?

Consider the following points. Do you:

- ✓ Regularly give to charity?
- ✓ Wish to maximize the tax savings from charitable giving?
- ✓ Have appreciated securities?
- ✓ Want to streamline the recordkeeping that comes with charitable giving?

If so, you should consider utilizing a donor advised fund. DAFs are a useful tax planning and charitable giving vehicle, especially for taxpayers who are in a high-income tax bracket and regularly give to charity.

Interested in learning more about a Donor Advised Fund and how it could benefit your tax and charitable planning? Contact our office at 270-467-9664.