

Ways to Analyze Charities and Give Smarter

Despite the recession, Americans have not significantly reduced their charitable giving. According to the Giving USA Foundation, U.S. charitable giving stood at \$307.65 billion in 2008, down only 2 percent from the previous year.

This year may not be an exception given the outpouring of support after the Haitian earthquake. But if you are going to give, give smart. It makes sense to develop a long-term giving strategy that dovetails with your current finances, your estate-planning strategy and your values.

A visit with a qualified financial and tax adviser is a good first step in the giving process no matter what your age or assets. It is important to view this process the way you would examine any investment – with solid research and good advice.

Here are ways to research and give to nonprofits and charities:

Go online: More than ever, the Internet is a great starting point for investigating various charities. Among them: www.Guidestar.org, www.Charitynavigator.org, www.Charitywatch.org and www.Give.org are search engines that give detailed overviews of various charities, but they also help you identify nonprofits that work within specific causes and subject areas. A foundation called Philanthropedia not only rates various nonprofits but allows visitors to make direct donations through the site. If your charity is not on the Internet, request a copy of their Form 990, the form the Internal Revenue Service requests from all nonprofits. The IRS did an overhaul of the form in 2007 to request more information on governance. While the forms are detailed and sometimes tough for neophytes to understand, it is not a bad idea to keep the information on file as you discuss the material with your advisers.

Figure out if you will need income from your gift: There are ways to draw income from donations. Your financial adviser can work with an attorney and CPA help you in understanding the following options:

- *Charitable gift annuities* allow a donor and a charity to enter into an annuity agreement that will allow payments back to the donor that may be partially or all tax free;
- *Charitable remainder trusts* allow someone to donate cash or appreciated property to a trust that can sell the appreciated property and distribute proceeds to the donor on a tax-advantaged basis;
- *Life estate agreements* let someone with a home or farm to keep living there while they receive a tax deduction for the gift. When they die, there may be savings in probate costs and estate taxes.
- *Pooled income funds* are now offered by established mutual fund companies and allow you to deposit money now for distribution to charity in the future while allowing you to receive tax-advantaged income.

Consider making a major direct donation if the charity or foundation will accept it: If you know of a foundation or charity that you want to support, research it first and then see what its policies are toward accepting donations of cash, stock or property. Not all foundations accept such gifts from the general public.

Consider giving appreciated stock or mutual fund shares: If you have appreciated stock or mutual fund shares that you have held for more than one year, you can give these assets to a charity and receive a double benefit. The first and obvious benefit is the tax deduction for the full fair market value of the property given. The second and lesser known benefit is that you will not have to pay income tax on the gain that you have earned on the stock or mutual fund shares. Remember though, you must have a gain on the investment you are giving and you must have owned it for at least one year.

May 2010 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Eric S. Korbitz, CPA, CFP® of Korbitz Financial Planning LLC, a local member of FPA.