

COMMENTARY

TIMELESS MARKET WISDOM THAT MATTERS NOW

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Sharing The Wealth: A Guide To Charitable Giving

Whether you're donating to a good cause, building a legacy, or helping the less fortunate, here's how to maximize the impact of your thoughtfulness and generosity.

You've spent a lifetime accumulating wealth, friends, and experiences. And if you're like most people, you'll have taken some things to heart along the way. There are ideas you're passionate about, causes you're in alignment with, people and projects that have touched your heart and that might be in need of a champion. Thanks to your good fortune and smart business sense, you might find yourself in a position to help.

Welcome to the world of charitable giving, a noble and wonderful human impulse that can change lives, build dreams, and fuel progress for worthy causes. For those in a position to share their good fortune, few things in life are more satisfying than leaving a chosen corner of the world a little better than you found it. And McRae Capital Management can help you make sure your generosity makes as big an impact as it possibly can.

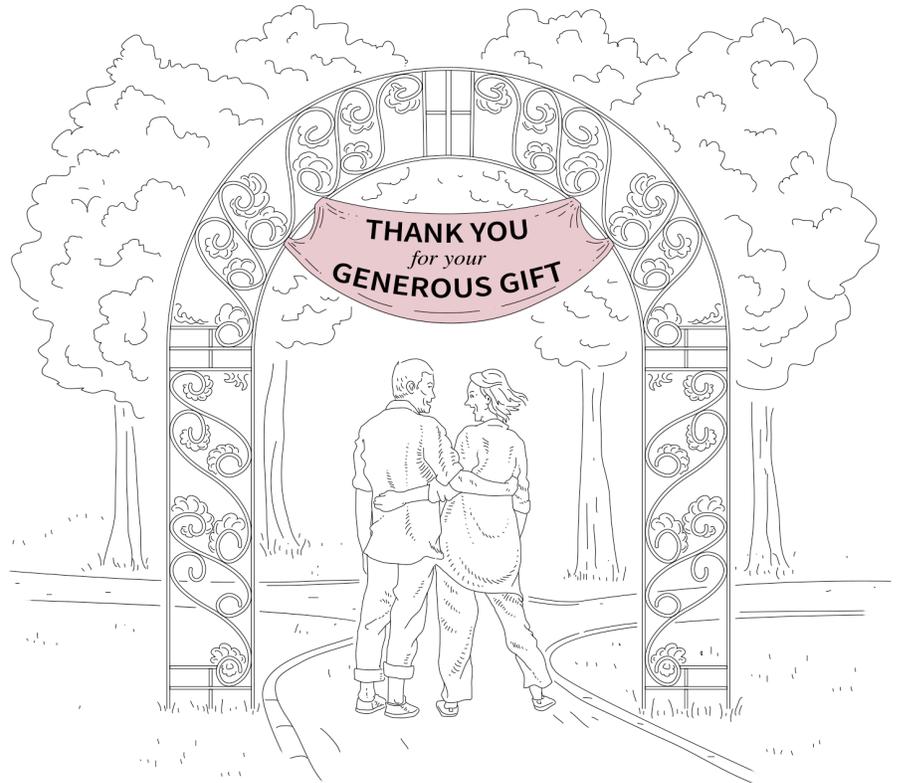
At McRae, we've guided many clients through the ins and outs of charitable giving, helping them understand their options, risks, and tax liabilities, to make sure their generosity has the full effect they intend. Because as wonderful as the idea is in theory, in practice, impediments like excessive taxation and organizational inefficiency can blunt the full impact of even the most well-intentioned gift. And, frankly, there are a lot of fraudulent actors out there posing as worthy charities. We can draw on decades of experience to help you choose the right organizations and projects, strategize for maximum effectiveness, minimize taxation, and otherwise optimize your gift-giving so it does the most good. That way, you can focus on what's really important—making a difference.

**Question One:
What are you trying to accomplish?**

When you first consider gifting to a charity, your focus may simply be on the recipients and how your donation can help improve their lives—and that's as it should be. Most of us are comfortable writing a check or using a credit card, even in the thousands of dollars, and may have done so many times over a lifetime.

But as we get older and—with smart decisions and good planning—wealthier, the amounts in question can increase. A well-off retiree nurturing a desire “to leave something behind” may be in a very different life situation than a younger and more casual giver, and it can make sense to approach gift giving more strategically. The fundamental question we ask clients looking to expand their philanthropic activity is: What are you hoping to accomplish? The answer can help determine the optimal path to make sure the cause you care so passionately about can get the most from your donation.

*Charitable giving:
Here's how to make it really count.*



For example:

- You could use your charitable contributions to help an institution, say, a hospital or a university, with a large one-time donation. You might want to remain anonymous as you make that big contribution, or you might desire something of value to memorialize your gift, such as your name on the new library or on a college scholarship in the engineering department.
- You could choose to donate funds for a specific initiative at a favored local organization, such as the Volunteer Ambulance Corps, with an amount that varies year-to-year depending on the organization's infrastructure needs. (One year the ambulance corps may need a new heart monitor; in four years a whole new ambulance, and so on.)

- You could choose to set up a recurring set of smaller donations each year for a charitable organization's general purpose fund.

As these quick examples illustrate, there are many choices to consider. When you're the one writing the check, you have a lot of leeway in determining how it's spent.

**Question Two:
How do you want to make your contribution?**

Another variable to consider is what form the gift will take. Giving cash or a check is nice and simple, but in some scenarios it can make more sense for you to transfer value in some other way, for example through real estate, or by donating some appreciated stock from your taxable brokerage account. (McRae

Capital can make those transfers on your behalf.) Giving appreciated stock instead of cash, for example, can result in significant tax savings. If you want to donate \$10,000 in stock you originally purchased at \$5,000, selling it would trigger a capital gains tax on the \$5,000 earned. Instead, by directly donating the appreciated stock, you can pass on the full \$10,000 to the charity and avoid the capital gains tax; the donation is tax-free for the charity when it sells the shares. (See sidebar, below.)

There are other vehicles you can use to make your charitable gift. A **charitable gift annuity**, for example, can provide you with a lifetime income and a partial tax deduction, and give

**DONOR ALERT:
WATCH THOSE
CREDIT CARD FEES!**

It can be very convenient to give money via credit card. Just remember that there's often a fee associated with these transactions, which might reduce the value of your gift.

your beneficiary charity full use of the principal upon your death.

Foundations are financial entities that can help donors provide funding for one or multiple projects over a very long term, both while the donor is alive and in perpetuity. Foundations include

two main types: community foundations and private foundations, which differ in some important ways.

Community foundations exist to pool public contributions and help charities across a designated local geographic area. Typically, they are run by people from a variety of backgrounds and experiences, to better serve an area's multifaceted needs. **Private foundations**, including individual, family, and corporate foundations, have a wider purview. They tend to be founded, funded and managed by a tighter circle of people. They may have a board of directors and be set up to last for a long time.

Another creative option for long-term

Make It Count: Two Ways to Optimize A Donation's Impact

**Giving generously can do a lot of good.
Giving wisely makes sure each gift has all the impact it should.**



Donating Cash

Scenario: You want to give \$10,000 in cash to your charity of choice.

Strategy	Potential Value of Donation	Less Income Tax @34%	Final Amount of Gift
Option 1: Write a check out of your post-tax dollars	\$10,000	34% X \$10,000 = \$3,400	\$6,600
Option 2: Donate through an IRA Required Minimum Distribution (RMD)	\$10,000	0	\$10,000



Donating Stock

Scenario: You want to give \$10,000 worth of stock that's appreciated \$5,000 above an original \$5,000 purchase price.

Strategy	Potential Value of Donation	Less Capital Gains Tax @20%	Final Amount of Gift
Option 1: Sell stock and use proceeds to make donation	\$10,000	20% X \$5,000 = \$1,000	\$9,000
Option 2: Donate the appreciated stock directly	\$10,000	0	\$10,000

Tax rates are for illustration only; please contact your accountant to determine your actual tax rates.

impact is **donor-advised funds**, which are convenient to use and extremely tax-efficient. Let's say you'd like to make a contribution of \$50,000 (in cash, appreciated assets, or a mix of both) to deliver value over many years. You simply contribute the full amount to a donor-advised fund, receive the tax break this year, and stagger the delivery of your gift over a period of years.

In a donor-advised fund, you can control (within limits) how that money's invested, and when and where funds are distributed. Donor-advised funds can be an incredibly efficient way to spread your wealth to a range of deserving recipients: If you want to give to 10 charities, for example, all you have to do is tell the administrator to do so on your behalf, and they'll write and send the checks and do all the record-keeping, for a small fee.

Question Three: When would you ideally make your contribution?

Ask any charity: Any time is a good time to make a charitable contribution. But depending on the mission and your life events, some times may be better than others. It can be very powerful to donate while you're alive, and watch your contributions change people's lives, or you may decide you can make a bigger impact if you make a larger contribution out of your estate, after you're gone. This can be a complex

Know Whom You're Giving To

There's certainly no shortage of great causes out there that legitimately need your help. Unfortunately, for every competent philanthropic organization trying to make a difference, there's another that's just trying to exploit your sympathy—toward hurricane relief, toward Covid-19 victims, etc—for personal gain. Here's how to find a worthy recipient of your generosity.

- 1** Verify that the charity is a legitimate, registered, tax exempt organization through the IRS's searchable database (<https://www.irs.gov/charities-non-profits/tax-exempt-organization-search>).
- 2** Make sure a charity is well run and efficient, not using funds to support outdated or discredited solutions to the problem it's trying to solve. What proportion of revenue goes toward its programs, versus overhead and salaries? Here are some good places to begin **a**, <https://www.guidestar.org>, **b**, <https://www.charitynavigator.org>, **c**, <https://www.charitywatch.org>, and **d**, <https://www.give.org>.
- 3** Keep an eagle eye out for scams, which increase in times of economic turmoil such as Covid-19 or natural disasters. In general, assume an unsolicited invitation to donate is a scam, and for a charity you're interested in supporting, check in with your state's regulator to see if there are any problems (find your state's charity officials here: <https://www.nasconet.org/resources/state-government/>).

decision, and McRae Capital can bring a wealth of client experience to bear in helping you make it.

At McRae, we've guided many clients through the nuances and technicalities of charitable gifting: going over their options, laying out the tax and legal implications, and helping them create

optimal strategies that maximize the potential for philanthropic impact. We're more than happy to walk you through the options as well. So when you're ready to take that next step in charitable giving, please feel free to reach out.



MCRÆ CAPITAL MANAGEMENT HAS A WEALTH OF INVESTMENT INFORMATION FOR YOU.

If there's ever anything we can help you with, please don't hesitate to give us a call.

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