Quarterly Financial Integration Planning Opportunity -
"Tax-Efficient Charitable Gifting Strategies"

As we approach the midpoint of 2016, many folks have put April 15th and income taxes behind them for now and are focused on more pleasant subjects. However, since charitable giving occurs throughout the year, we wanted to remind you of several tax favored methods to accomplish your charitable objectives and make next April 15 "less taxing". These include:

Non- Retirement Investment Assets

- Rather than making cash contributions, we recommend a transfer of appreciated securities or other investment assets held outside of retirement accounts, to a qualified charity or donor advised fund. The charity will receive the equivalent value of the fair market value of the securities transferred and the donor receives a tax deduction of like value. (For high income donors, the deduction may be diminished by the itemized deduction phase-out rules). By directly transferring appreciated securities, held no less than twelve months, the donor avoids being taxed on the gain attributable to the appreciation, thus making the contribution tax-efficient not only a result of the deduction, but also by the avoidance of tax related to the capital gain.
  ** Caution: To utilize the full deduction amount in the taxable year of the gift, the annual amount of all contributions of appreciated assets cannot exceed 30% of the donee's adjusted gross income for the taxable year. If an excess deduction exists it will be carried forward to the following tax year.

Retirement Account Assets

- In general, we discourage using retirement accounts as a source of funds for charitable giving purposes until the donor reaches 70 1/2. For donor's over age 59 1/2, utilizing a taxable distribution from their retirement accounts to fund a charitable gift will generally provide a deduction equivalent to the taxable distribution and be tax neutral. However, donors who are subject to the itemized deduction phase-out rules may lose a portion of the deductible amount. As mentioned above, we recommend that if possible donors utilize appreciated securities from non-retirement accounts until they reach age 70 1/2 and become subject to the "required minimum distribution" (RMD) rules.

  For donor's over age 70 1/2, who are subject to the IRS (RMD) rules, making charitable contributions directly from your individual retirement account to the charitable organization is a tax-efficient strategy to ensure that the deduction is not subjected to the itemized deduction phase-out provisions. In some instances, having the charitable contributions made directly from the IRA may result in the donor also qualifying to utilize a "standard deduction" that is in excess of the donor's other itemized deductions excluding the contribution. Thus resulting in net tax savings incremental to avoiding tax on the RMD. This strategy is referred to as a Qualified Charitable Distribution (QCD).
  ** Caution: Qualifying charities eligible for the QCD strategy do not include donor advised funds.

TD Capital encourages our clients charitable intentions and we are anxious to assist clients in the implementation of the income tax-favored strategies noted above, as well as other tax favored charitable strategies including charitable trusts and annuities, estate charitable bequests and other planned giving opportunities. Please let us know if we can be of assistance.

Sincerely,
Your TD Capital Team