

# MAKE YOUR GIVING SIMPLER, EFFECTIVE AND MORE SATISFYING THIS HOLIDAY SEASON

By Kandice K. Bridges

Recent research tells us generosity is hardwired in our brains. With the advent of fMRI scanning that can track the blood flow to different areas of the brain during different activities, scientists have learned that when we give, it triggers the same chemical reactions in our brains as do falling in love or bonding with a newborn child.

“But knowing how to give and how to have a meaningful impact can be challenging,” says Amy Pirozzolo, vice president of marketing for Fidelity Charitable, an independent public charity and sponsor of the largest donor-advised fund (DAF) program in the country. A recent study by a third party shows that only two of five donors are highly satisfied with the impact they are making through their charitable efforts, and only one in five believes his or her giving is highly effective.<sup>1</sup>

With the introduction of DAFs, donors across a wide income spectrum can better plan their giving. “You don’t have to be a millionaire to make a difference, and through the donor-advised fund, it’s easy,” says Michelle Buelow, Fidelity Charitable donor and supporter of the Charlotte Rescue Mission. A DAF enables someone to take an immediate tax deduction for a charitable donation, but gives him or her the flexibility to recommend charitable grants now and over time.

“Donors tell us they set up a DAF in order to sustain their charitable giving in

retirement,” says Pirozzolo. “They know their tax bracket will drop, so donating before retirement—when they are in their high-income earning years or have a windfall—maximizes the deduction and builds a ready reserve to maintain their charitable giving well into the future.” And as the “advisor” on the DAF, you can recommend how your contribution is invested so that it has the potential to grow and provide greater support for the charities you care about.

While cash donations are most common, donating long-term appreciated securities or more-complex, non-publicly traded assets like real estate or privately held stock is really one of the smartest ways to give. “Donating this sort of asset is a win-win for everyone,” says Pirozzolo. The donor typically can take an immediate deduction for the fair market value of that asset. This also means the charities win, because the donor is able to dedicate more funds to charitable use than they would have if they sold the asset first and then donated the after-tax cash value proceeds.

## ADVANTAGES TO USING DONOR-ADVISED FUNDS

- Easy to establish online with minimum contribution requirements as low as \$5,000
- Enables tax-efficient charitable giving
- Tax-free investment growth
- No need to staff and operate a foundation
- Ability to name successors
- Simplified record-keeping; no need to manage individual receipts
- One of the most cost-effective charitable giving vehicles (low fees)

But deciding which organizations to support can be a daunting task. “For years, we have provided guidance on how to give when disaster strikes, like the Ebola crisis, the earthquake in Nepal or the current Syrian refugee crisis,” says Pirozzolo. “But recent research led us to develop the new *Boost Your Giving IQ* ([fidelitycharitable.org/smarter-giving](http://fidelitycharitable.org/smarter-giving)) resource center, which is free to anyone on our website.” The resource center includes helpful articles and tools like:

• **Establishing a Charitable Giving Mission.** Create a personal charitable mission statement to guide your giving.

• **Creating an Action Plan.** Consider the type of financial support you want to provide, and learn ways to make your donation go further.

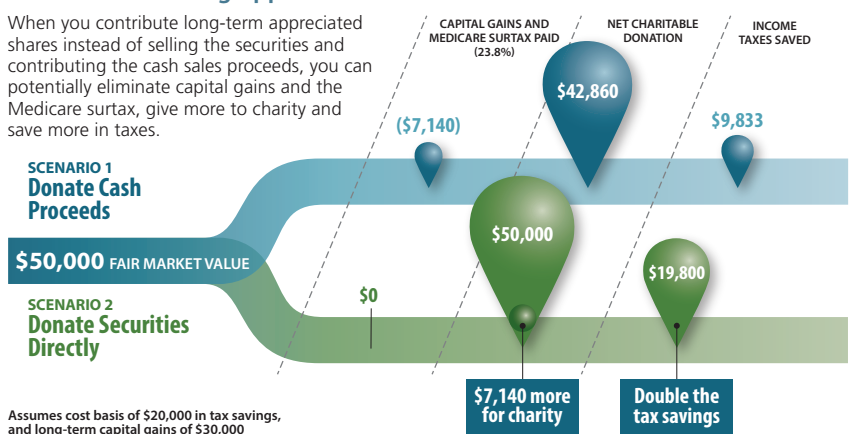
• **Choosing the Right Nonprofit.** Learn how to identify and evaluate charities that align with your charitable mission.

• **Amplifying Your Impact.** Consider ways to have a larger impact through volunteering, providing specific skills to the charity you support, or involving friends and family.

“Our donors look to us to help them make more of a difference for the charitable causes they care about. The *Boost Your Giving IQ* resource center is just one more way we can do this, not only for our donors, but for anyone who is giving this season,” Pirozzolo says.

## Benefits of Donating Appreciated Securities\*

When you contribute long-term appreciated shares instead of selling the securities and contributing the cash sales proceeds, you can potentially eliminate capital gains and the Medicare surtax, give more to charity and save more in taxes.



Assumes cost basis of \$20,000 in tax savings, and long-term capital gains of \$30,000

\*In addition to assumptions noted in chart, this example assumes a married couple in the highest federal income tax bracket, filing jointly, and a fully deductible donation at fair market value to a qualified public charity. It does not take into account state or local taxes, the alternative minimum tax, or limitations on deductions for taxpayers in higher income brackets. The charitable deduction is only available at the federal level if you itemize deductions. Charitable contributions of capital gain property held for more than one year are usually deductible at fair market value. Deductions for capital gain property held for one year or less are usually limited to cost basis. This is a hypothetical example for illustrative purposes only. Results will vary depending on an individual's tax situation.