

HOW TO BEST PLAN FOR CHARITABLE GIVING

By: Luci Powell, Vice President, Private Client Advisor

There are many ways to support the causes you care about, from writing a check to an organization providing aid for those in need to donating appreciated stock to your favorite charity. You likely give because your gifts help make the world a better place—and you're not alone with your generosity.

While your charities of choice certainly benefit from your donations, so can you—your gifts could help reduce your tax burden.²

Before you give, answer a few questions to determine if this is a good time to plan a gifting strategy in your current financial situation. Is your income stable? Do you have several months of emergency cash on hand to support your own expenses? Do you have family members who may need your help? Charity begins at home—it's okay to consider a more cautious approach with your charitable contributions. It's important to plan your charitable giving strategy before you donate.

ASSESS YOUR PERSONAL FINANCIAL SITUATION.

It's important to understand how much money you need to maintain your standard of living and how much remains—in assets or current income—for charitable causes. This assessment is particularly important with larger gifts.

Make sure your financial team—including your advisor, attorney, and tax professional—is aware of your charitable giving wishes (especially if you plan to donate large amounts of money, securities, real estate, or other valuables) and can advise you on the tax implications.

ESTABLISH YOUR GOALS - FOCUS ON OPTIONS.

If you're in the habit of giving money to every organization that sends you a donation request, you may want to reconsider. Find causes you are passionate about, and then identify organizations to support by determining whether your values and beliefs align with their mission.

Many individuals choose to give to their favorite charities during the holiday season as a last-minute tax strategy. Instead, each January choose the charities you want to support and create a charitable giving spreadsheet. Determine a total annual amount you want to give, and allocate your donations throughout the year. Not only does this financial strategy allow you to manage your charitable giving within your personal budget, it also may be more beneficial for you and your charities from a tax standpoint.

AMERICANS SHARE THEIR WEALTH

In 2019, American individuals, bequests, foundations, and corporations gave an estimated \$449.64 billion to U.S. charities—one of the highest years for giving on record. Individual charitable gifts accounted for an estimated \$309.66 billion of that amount.¹

DO YOUR HOMEWORK BEFORE YOU DONATE.

Research each charity on your spreadsheet before you make a donation. The organization should clearly articulate its mission and whom it serves, and be able to share outcomes. You also should review the charity's financial statements. While overhead costs should not be a deal breaker, it is important to compare operating costs to program costs.

The Internal Revenue Service's Tax Exempt Organization Search (TEOS)³ can help ensure your donation will be used effectively and efficiently. Charity Navigator is also a good resource for this type of information and verification of 501(c)3 status should you be interested in a tax deduction. It has data on 1.8 million non-profits, objective ratings, and detailed information for more than 9,000 charities.⁴

CONSIDER ALTERNATIVE FORMS OF GIVING.

Don't overlook the benefits to you and your charities from bequests, charitable gift annuities, gifts in kind, endowments, and many other creative forms of giving. Check into matching gifts to help boost your donations—many grant makers, donors, and employers offer funds to match those given by other benefactors.

In addition to financial support, join the millions of Americans who volunteer to help out their favorite charities by donating their time, talents, and energy to make a difference. Your hands-on experience will tell you how well-managed the organizations are and how effectively they accomplish their missions.

DOCUMENT YOUR CHARITABLE GIFTS.

No matter how you give, documenting any and all gifts is crucial. Giving guidelines can vary greatly with the new tax laws. As mentioned earlier, be sure to contact your advisor and tax professional before you make a charitable contribution to determine the detail of the documentation you will need at tax time.

FOLLOW UP.

Look at each donation as an investment in an organization. Check its website for progress on what it's doing and what it has accomplished. Create a relationship with the organization and support it over time.

Contact a Commerce Trust advisor today to discuss the best strategies for your charitable giving now and in the future. A detailed conversation—particularly pertaining to large gifts—is a must to make sure you're forging the best path.

¹ Source: Giving USA 2020: The Annual Report on Philanthropy for the Year 2019, a publication of Giving USA Foundation, 2020, researched and written by the Indiana University Lilly Family School of Philanthropy. Available online at www.givingusa.org. About Giving USA Foundation™; June 16, 2020

² Consult a tax advisor

³ Internal Revenue Service, “Tax Exempt Organization Search,” <https://www.irs.gov/charities-non-profits/tax-exempt-organization-search>, 2020

⁴ Charity Navigator, <https://www.charitynavigator.org/>

The opinions and other information in the commentary are provided as of February 25, 2021. This summary is intended to provide general information only, and may be of value to the reader and audience.

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Luci is a private client advisor for Commerce Trust Company. She serves as a consultant and relationship manager providing clients with personalized objective advice and oversight across all our services, including trust administration, financial advisory services, private banking, and investment management. Luci facilitates all aspects of relationship management for the client team, including administering complex trusts, maintaining client communication, and coordinating with internal and external partners to deliver a superior client experience. Prior to joining Commerce Trust Company, Luci managed the daily functions of the Miller Nichols Charitable Foundations' office. In this role, Luci responded to all grant inquiries and worked with charitable organizations in their preparation of grant requests to the Nichols' Foundations. Luci earned a Bachelor of Science in political science from the University of Kansas and a Juris Doctor from the University of Kansas School of Law. Luci is a member of the Missouri and Kansas Bar. She is a member and volunteer of the Children's Relief Association, a support organization for Children's Mercy Hospital.



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