LEHIGH VALLEY COMMUNITY FOUNDATION

ADVISOR CONNECTION

November 2023

Tips for Clients' Year-end Charitable Giving

YEAR-END GIVING

Year-end giving constitutes a significant portion of charitable organizations' revenue, with research indicating that a substantial 25% of online donations occur in December. This suggests that your clients may already be contemplating end-of-year contributions to their favored causes, or they could be receiving solicitations from nonprofit organizations, or both. It's vital to engage in client discussions well ahead of the year-end giving surge.

Here are six tips to guide your client conversations in the coming weeks. Please reach out to us if you'd like more in-depth insights; the staff at LVCF are here to assist you. We keep it local, make it easy, make an impact, and we grow charitable legacies.

1 Assess Goals

By addressing your clients' overall charitable objectives, you can identify their passions, motivations, short-term and long-term contribution preferences, desired impact, and intentions regarding charitable bequests. This context facilitates the development of effective year-end giving strategies.

4 Comprehend Donor-Advised Fund Mechanics

Establishing a donor-advised fund at the Community Foundation is a straightforward process. After completing minimal paperwork, clients can make tax-deductible contributions (preferably in the form of highly-appreciated assets) to fund the account. These funds can then be distributed to eligible charities at the client's discretion, offering an experience similar to a private foundation but with fewer administrative overhead costs and restrictions.

2 Explore Fund Options

While donor-advised funds are popular choices, community foundations offer an array of fund types. These include field-of-interest, designated, unrestricted, and scholarship funds. Our team can help determine the most suitable fund(s) for individual clients based on their circumstances. For instance, a client contemplating a Qualified Charitable Distribution from an IRA may be ideal for establishing an area-of-interest or designated fund at the Lehigh Valley Community Foundation.

5 Optimize Tax Benefits and Giving:

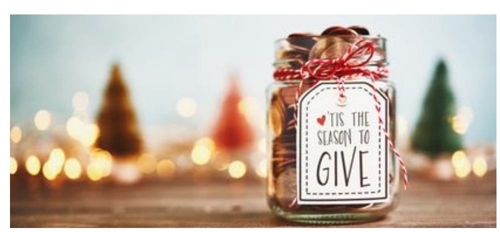
Using a donor-advised fund at the Lehigh Valley Community Foundation can enable clients to employ the "bunching" technique, maximizing itemized deductions for the tax year while strategically supporting favorite organizations over several years.

3 Recognize LVCF Advantages

It's crucial to understand why the Community Foundation is an excellent fit for many philanthropic individuals and families seeking donor-advised funds. Community foundations are the local option, focusing on the region's nonprofits, which may not be the case with large national providers associated with financial institutions.

6 Consider Non-Cash Contributions

Clients should consider contributing highly-appreciated marketable securities or other long-term assets to LVCF. Such gifts provide a tax deduction at the assets' fair market value and exempt the proceeds from capital gains tax, ultimately amplifying the funds available for charitable causes.



Philanthropy should remain a continuous conversation topic with clients, not just during year-end. Our team is dedicated to helping you ensure your clients achieve their financial and charitable objectives, both through year-end giving and beyond.

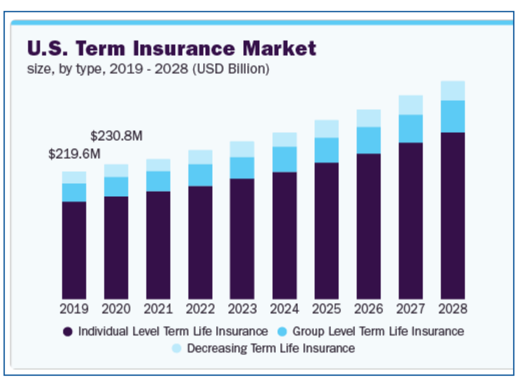
Life Insurance: A key charitable planning tool for certain clients

As an advisor, you often talk with your clients about life insurance—how much is enough and which policies are best suited for a client's particular situation. As you counsel your clients about risk management and the role of life insurance in their estate plans, don't forget that life insurance can be an effective charitable giving tool in some situations.

Many advisors overlook the simplicity of designating a charity as a life insurance policy beneficiary. Qualified plans and IRAs are typically more tax-efficient for charitable bequests, but some clients may wish to do more. For example, "second-to-die" life insurance policies are commonly used to mitigate expected estate taxes, a strategy that may gain popularity as the estate tax exemption decreases after 2025.

Some clients may not fully grasp the significance of beneficiary designations. While most policyholders prioritize providing for family members, they may not realize they can also direct insurance proceeds to support causes they care about, either by naming a charity directly or creating a charitable fund at a community foundation.

Expanding an existing policy's coverage can create additional charitable giving opportunities for some clients. Premiums often don't increase proportionally with benefit amounts. For instance, adding $250,000 of coverage to ensure each of four family beneficiaries receives $250,000 from a million-dollar policy typically doesn't raise premiums by 25%. This approach allows the client to allocate 1/5 of the policy benefits to each family member and a charity, potentially improving the benefit-to-premium ratio and providing cost-efficient charitable giving.



While using life insurance for charitable planning may not suit every client, it's worth considering in unique cases. The global market for term insurance is growing, going from $850 billion in 2021 to an expected $1.3 trillion by 2028. Many individuals purchase term insurance to secure their financial future during high-cost life stages, such as their children's college years or mortgage payments. However, if these stages pass without major expenses and their financial situation improves, it's an ideal time to review and possibly continue the policy.

Past term insurance premiums can be considered as sunk costs, and future premiums can be seen as a moderate "investment" compared to the benefit. While everyone hopes to outlive their policies, as long as a policy is active, it offers numerous opportunities, including charitable giving. Reach out to the Community Foundation for further exploration. We're eager to discuss this with you!

Philanthropy TIPS AND TRENDS

- Many eyes are on the **Charitable Act,** which, if passed, would allow for deductible charitable contributions that exceed the standard deduction. The Charitable Act proposes to restore the pandemic-era "universal charitable deduction" and raise the cap from $300 for individuals ($600 for joint filers) to approximately $4,600 for individuals ($9,200 for joint filers).

- Some advisors have been watching the regulations surrounding Type I and Type III supporting organizations. If you are dealing with these vehicles in your practice, be sure to stay up to date on the latest **IRS regulations**.

- Finally, for your situational awareness as you advise clients who are pet owners, no amount of pet cuteness on Instagram will resolve the nationwide **overcrowding** at animal shelters. Dog and cat populations are up sharply from the pandemic due to owner-adopters returning to in-office work, inflationary costs for food and veterinary care, and owners seeking new forms of companionship. For a client who is passionate about this issue—or any issue—be sure to encourage your client to learn more about establishing a designated fund or field-of-interest fund at the community foundation to support highly targeted areas of relief, and, for those clients who are over 70½, serve as recipients of Qualified Charitable Distributions from IRAs.