LEHIGH VALLEY COMMUNITY FOUNDATION

ADVISOR CONNECTION

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By the numbers: What’s around the corner in 2024

As 2023 makes way for 2024, you’re no doubt inundated with information about the various IRS thresholds that are subject to adjustment. But have you thought about how each of these thresholds might be connected with your clients’ charitable giving?

Here are a few pointers to keep handy as you inform your clients about changes for 2024 and also help them tee up their charitable giving plans for the coming year.

Social Security COLA increases

The Social Security Administration announced a cost-of-living adjustment (COLA) increase of 3.2% that will take effect in January. This increase is less than half of 2023’s COLA increase (which was the highest since 1981) and reflects inflation’s decline in recent months.

Connection to charitable giving: Remember that retirees are a unique group when it comes to tools and techniques related to charitable giving. Remember also that 72% of Baby Boomers (and 88% of the Silent Generation!) give to charity every year, so if your clients include retirees, you’re almost certainly dealing with philanthropic individuals. When you talk about the Social Security increase, it’s a logical time to also bring up charitable giving plans for 2024.

Tax brackets

Though tax rates in each tax bracket, ranging from 10% to 37%, aren’t changing, the income levels that define each bracket are increasing. Generally speaking, your clients can earn up to about 5% more in 2024 and remain in their 2023 tax bracket.

Connection to charitable giving: Reviewing tax brackets with your clients is a good time to bring up pending legislation known as the Charitable Act, which would create a “universal deduction” even for taxpayers who do not itemize. A similar, pandemic-era law that has since expired helped boost giving following the drop in giving that occurred after the standard deduction increased in 2018.

Standard deduction increases

The standard deduction will increase in 2024 by approximately 5.5 percent to $14,600 for single tax filers and $29,200 for married couples filing jointly.

Connection to charitable giving: The standard deduction is an important factor in charitable giving. Your clients whose gifts to charity, plus other deductions, total more than the standard deduction are eligible to itemize deductions. You know this, of course, but it is worth talking with your clients about their 2024 charitable giving plans (and their last-minute plans for 2023!) to evaluate whether a “bunching” strategy, working with the community foundation, could be helpful to maximize a client’s intended support of favorite charities over the next few years.

Qualified Charitable Distributions

Each taxpayer aged 70½ and older may direct up to $105,000 in distributions from an IRA to a qualified charity in 2024, up from $100,000 in 2023. Note that your client can make a once-in-a-lifetime QCD to a charitable remainder trust or charitable gift annuity in the amount of $53,000 in 2024 (adjusted for inflation from $50,000 in 2023).

Connection to charitable giving: With the ability to give more in 2024 than 2023, your clients can further escape income tax via QCDs and satisfy a greater portion of their Required Minimum Distributions (RMDs). Field-of-interest and designated funds at the community foundation are very effective recipients of QCDs.

Charitable giving tips for clients' golden years

The rising popularity of the Qualified Charitable Deduction–"QCD"--appears to be inspiring an **increasing number of retirees** to re-evaluate their charitable giving plans.

Here are four characteristics of retirees and their charitable giving situations that will help you serve your retired clients.

1

Greater connection to community.
Retirees often feel a greater connection to their community and favorite charities than your clients who are not retired. Whether it's because a retiree's income and corresponding giving capacity are more predictable, or because a retiree has more time, getting involved with favorite charities can help retirees **stay active.** The team at LVCF stays connected with the many nonprofit organizations in our region, and we are happy to serve as a sounding board for your retired clients who want to get involved.

2

Less likely to itemize deductions.
Many retirees apply the standard deduction on their income tax returns because they don't have many expenses that qualify for itemization, such as business expenses and mortgage interest deductions. Help your retired clients evaluate whether itemizing deductions in certain years could be beneficial. Through a donor-advised fund at the community foundation, your clients may be able to concentrate charitable contributions into particular tax years and benefit from the deductions above and beyond the standard deduction. This is called "bunching," and a donor-advised fund can help your client take advantage of itemizing tax deductions while still allowing them to provide steady support to nonprofits in years that follow the itemizing year.

3

More interested in involving children and grandchildren in their philanthropy. The community foundation is happy to help your retired clients fulfill their desire to stay connected with their children and grandchildren, including formalizing roles for these family members as advisors and successor advisors of the retiree's donor-advised fund at the community foundation. This is often an excellent and easy way to structure philanthropic priorities for generational wealth as well as create positive, authentic communication channels across an extended family.

4

Excellent candidates for Qualified Charitable Distributions.
Your clients who are at least age 70½ can direct a tax-free distribution (up to $100,000 per spouse in 2023) from an IRA to a qualified charity such as a field-of-interest or designated fund at the community foundation. For your clients who must take Required Minimum Distributions (RMDs), the Qualified Charitable Distribution (QCD) is **especially beneficial**. This is because the distribution to charity counts toward the RMDs and therefore never lands in the client's taxable income.

Philanthropy keeps your clients sticky

Retaining your clients is a key to success. Historically, **studies have found** that 75% of parents report that their advisor had never met their children, and 10% or fewer of heirs retain their family's advisor post-inheritance. Children who get to know their parents' advisors begin to appreciate the advisors' roles in not only making family wealth last across generations, but also leaving a family legacy to the community.

- Suggest that your clients consider working with LVCF to establish easy-to-understand charitable giving tools, such as a family donor-advised fund, area-of-interest fund, or designated fund.
- Encourage your clients to take advantage of the LVCF's services for families, which include researching family members' favorite causes, arranging site visits at local charities, and educational sessions about the basics of charitable giving and what's going on in the community.
- Share with your clients and their children materials provided by LVCF describing tax-savvy charitable giving, including the benefits of giving highly-appreciated stock instead of cash to a fund at the community foundation to avoid capital gains taxes.
- Ask LVCF to help facilitate family discussions so that all family members see how they can support causes that have been important to their parents and grandparents over the years as well as causes that are contemporary, relatable, or meaningful to them.

While any conversation with a client's child or grandchild can increase the likelihood of retaining the family as a client across generations, the topic of philanthropy is an especially effective tool to create a common bond that keeps the family from becoming your former client.