If you contribute a significant amount of money to a qualified charity, be sure you're doing it in the most tax-efficient way. Here are a couple of ideas

1) Instead of writing a check to charity, gift appreciated securities which you've owned at least 1 year. For example, assume you purchased a stock or mutual fund several years ago for $10,000, and it's now worth $20,000. If you were to sell the security and pay capital gains tax, depending on your tax bracket you'd have to pay around $1,500 - $2,000 in tax on the $10,000 gain, so you'd only net around $18,000 - $18,500. If you then donated $20,000 to charity, your total out-of-pocket would be between $21,500 - $22,000; this is not efficient.

   Instead, contact the charity and ask them for their brokerage account information. Tell them you want to "gift appreciated securities." They'll know what you're talking about, because they're in the business of receiving money. We would have you sign a letter of instruction directing us to transfer $20,000 of the security from your brokerage account (this only works for non-retirement accounts) to the charity's brokerage account. You would not have to pay tax on the $10,000 gain, and you'd get to deduct the entire $20,000 from your taxable income (cannot exceed 30% of your adjusted gross income).

   Bottom line: You never pay tax on the gain. Also, if you itemize your taxes, you may get a tax deduction on the full amount you gifted.

2) If you are over 70 ½, and need to take annual required minimum distributions (RMD) from your retirement account, here's a neat trick to get tax credit for gifting to charity, even if you don't itemize your taxes. Instead of taking your RMD, and paying tax on that distribution, have the retirement account's custodian (e.g., Raymond James) send a check for all or part of the RMD to your charity. This is called a "Qualified Charitable Distribution (QCD)." This way, you don't have to pay tax on the distribution. (There is a $100,000 annual per individual limit.)

For example, let's say your RMD is $20,000. If you are in the 20% tax bracket, you'd only receive $16,000 of the distribution; the other $4,000 goes to Uncle Sam. Then, if you were to gift that $16,000 to charity, and didn't have enough deductions to itemize, you wouldn't get a tax deduction for that $16,000. With a QCD, the charity would receive the full $20,000, and you'd save $4,000 in income tax.

Bottom line: If you have to take an RMD, it may be possible to get the benefit of a tax deduction, without itemizing your taxes.

We'd be glad to discuss these strategies with you in more detail; just give us a call.

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