Professional Advisor Newsletter
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Philanthropy on clients' minds, pre-spring cleaning, and three tax tips

February greetings from the community foundation!

Even though 2023 is only a few weeks old, we're hearing from many attorneys, accountants, and financial advisors that clients are already talking about their charitable giving plans for the year.

As you keep up with industry publications, we suspect that the stream of articles about charitable giving will continue. We're here to help! Please reach out anytime with your questions. Our team is happy to interpret what you're reading and help you determine whether a particular planning strategy is right for your client.

In this issue, we're helping you gear up for your client conversations this year. We'll also explain how the topic of charitable giving can serve as a springboard for larger conversations about a client's overall estate and financial plan. Finally, we're sharing three tax tips to keep handy as you launch into 2023 client work.

Thank you for the opportunity to work together!

Julie Buck, CAP®
Executive Director

Client conversations: Why your 2023 agenda must include charitable giving

No doubt, your news feed includes far more articles about philanthropy as a planning tool for your clients than it did just a few years ago. Charitable giving has always been an important subject of client discussions for attorneys, accountants, and financial advisors. What's changed is that widespread coverage of both major charitable gifts and the ease of making online donations has prompted more of your clients to pay attention to philanthropy.

Among the dozens of reasons to talk with your clients about their charitable giving plans are what many advisors consider to be the top three:

Tax strategies

This is a no-brainer on the list, but still, don't assume that tax strategies will be the driving force for every client. After all, even if the tax savings on dollars donated reaches 35% or even 40%, your client will still wind up with less money in their pocket after making the donation than they would have if they'd never made the donation in the first place.

Happily, though, most Americans are charitable, with at least 50% reporting that they give to one or more charitable organizations each year. That means it's likely that at least half of the clients walking into your office are giving to charity, so you need to be able to address the tax aspects of charitable planning. Keep in touch with the community foundation to stay current on the basics of tax deductibility, including AGI limitations, understanding the differences between public charities such as a donor-advised fund at the community foundation versus a private foundation, and the benefits of donating highly-appreciated assets to charity. The community foundation is also the go-to resource for more complex giving, such as bequests, Qualified Charitable Distributions where retirement-age clients can give money from their IRAs to charity, and even gifts of real estate, farmland, or closely-held assets.

Serving clients across generations

Surveys indicate that the majority of children inheriting their parents' estates will move their wealth away from their parents' financial advisor to their own. An aging client base can be extremely dangerous to an advisor's business. Whether you are an attorney, accountant, or financial advisor, you're certainly aware that you need to build relationships with the next generation to stand a chance of retaining the business long-term. That's easier said than done, though, with client confidentiality rules and even just plain old awkwardness frequently standing in the way.

Enter philanthropy. When you work with your clients on their charitable giving plans, there are several ways to include the clients' children and grandchildren in the planning, thereby giving you the opportunity to build strong, multi-generational relationships. By helping your client plan an overall charitable giving strategy, including, for example, naming children and grandchildren as successor advisors to a donor-advised fund at the community foundation, you'll get to know the family dynamics as well as build relationships with other family members.

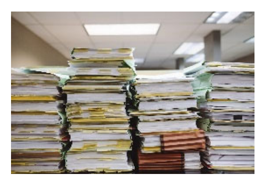
Responsibility to assist clients with their charitable goals

Many advisors take philanthropy seriously, adopting a [disciplined approach]() and believing that it is their responsibility to understand their clients' charitable goals and implement them to the best of their abilities using the very best tools available in the market. This is frequently the reason so many advisors turn to the community foundation for assistance as they serve their charitable clients, whether that assistance is behind-the-scenes or working together with the client.

The community foundation's purpose is to serve philanthropic individuals and families, as well as the organizations they support, to maximize overall positive impact on the community's quality of life. The team at the community foundation is not only well-versed in the tax rules governing charitable giving, but it is also deeply familiar with the programmatic elements that are critical for a nonprofit organization to deploy a financial donation into meaningful, tangible improvement in the quality of life of the people the nonprofit serves. For advisors, the community foundation's expertise and due diligence offer peace of mind that a client's favorite nonprofits have been well-vetted and are in good standing, and that their programs are legitimately serving a community need.

By keeping these three reasons in mind, you'll be better prepared to proactively raise the subject of charitable giving in your upcoming client meetings. We look forward to working together to serve your charitable clients.

It's not too early for spring cleaning: Make this the year to help clients get organized



If you're already dreading asking your clients to pull together their receipts and other documents for 2022 tax filings, this may be a good time to take proactive steps to avoid being in this same spot next year.

When it comes to charitable giving, your clients may find that organizing their giving through one or more funds at the community foundation will make their lives easier. Establishing a fund at the community foundation is an easy way to organize and track charitable giving. A client can take advantage of this feature by making a single, tax-deductible contribution each year to a fund that they have designed at the community foundation.

An especially tax-savvy technique is for the client to make this contribution using highly-appreciated stock. After the stock has been transferred to the community foundation, the proceeds from the foundation's sale of the stock (free from capital gains tax) are then used for distributions to support your client's favorite charities. No matter how many different charities receive support from the fund, the client still has just one receipt to keep track of charitable donations for income tax deduction purposes.

The subject of gathering up tax receipts for charitable donations is often a prompt for clients to get organized with the rest of their financial lives, too. At the very least, the subject of charitable giving can pave the way for a discussion about the basics of estate planning. Many clients are simply not aware of the meaning and importance of critical elements, such as:

- The difference between a will and a living trust and how charitable wishes fit in to these documents
- Why it's critical to be intentional about how each and every asset is titled so that the assets actually pass as intended (which requires making a comprehensive list of assets in the first place)
- The dangers of hurriedly filling out life insurance and retirement plan beneficiary designations and why these documents are absolutely critical components of a financial, estate, and charitable plan
- Reasons for having both a "living will" and a durable power of attorney, both of which (or the lack thereof) have a major impact in the event of incapacity
- A reminder to make sure someone in the family knows where to find a list of logins and passwords

Charitable planning is one of many steps in your work with clients, but it can be an excellent catalyst for helping clients understand why they need that comprehensive estate and financial plan you've been encouraging them to complete. The team at the community foundation is happy to help with the charitable components of your service to clients. We look forward to making it easier for you to address all of your clients' needs.

In case you missed it: Three tax tips worth smiling about

Energy incentive extends to nonprofit organizations

Nonprofits and other exempt entities are often left out of discussions when new tax incentives are proposed in Congress, primarily (and logically) because these organizations don't pay tax. Fortunately, nonprofits are not left out of a recently enhanced tax provision known as the 179D deduction, which is intended to encourage incorporating energy efficiency measures into new or renovated buildings. While a nonprofit itself can't use the deduction, of course, because it does not pay taxes, this incentive is still valuable because the nonprofit can transfer the deduction to the architect or engineer on the project who then uses the deduction.

The takeaway here? If you represent nonprofit executives or board members at organizations that have undertaken capital projects (universities, for example), you'll want to be aware of this potential benefit, in addition to keeping up in general on sometimes tricky tax rules related to exempt entities.

This again? More crypto crack down

The ups and downs (and downs) of cryptocurrency continue! If your clients are involved in the cryptocurrency market, and especially if they are contemplating giving these assets to support charitable endeavors, be aware that the IRS continues to formalize its guidance and requirements for a qualified appraisal. Recently, the IRS confirmed that an appraisal is required to claim a deduction of $5,000 or above for a gift of cryptocurrency.

A must-know: Reviewing the QCD

You'll recall the buzz at the end of 2022 when Congress passed sweeping omnibus legislation that included a version of the long-awaited Legacy IRA provisions that expand a tool called the Qualified Charitable Distribution, or QCD. A QCD is a financially-savvy way for your clients to support the charities they care about.

As a reminder, if your client has reached the age of 70 ½, the client may be eligible to make annual distributions of up to $100,000 from IRAs directly to a designated, field of interest, scholarship, or agency fund at CFGC (not DAFs). QCD transfers count toward satisfying clients' Required Minimum Distributions and therefore avoid the income tax on those funds. Plus, distributed assets are no longer part of a client's estate at death, which avoids estate taxes, too. The new law expands the QCD rules to allow for a one-time, $50,000 QCD to a split-interest vehicle, such as a charitable gift annuity or charitable remainder trust, as well as indexing the QCD cap for inflation in future years.

Punchlist: What the IRS may be up to in 2023

Advisors of philanthropic clients are keeping an eye on the IRS's list of priorities for the fiscal year, which includes a focus on several sections of the Internal Revenue Code that impact charitable giving. The team at the community foundation is also watching closely, and, as always, we'll keep you posted as issues bubble up that may lead to potential charitable giving-related legislation.

The team at the community foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

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