Year-End Giving Can Benefit Both You and the Charities You Choose

About 50% of nonprofits receive the majority of their donations from October through December.[1]

Like many people, you may feel inspired to support charitable causes that resonate with you. While donating non-cash items like clothing, furniture, and household goods at year-end is a commonly used tactic that could help you declutter and help your tax situation, below are a couple of lesser-known strategies for you to consider during giving season.

Consider Donor-Advised Funds - One of the most tax-efficient ways to give to charity is by donating any stocks, bonds, or mutual funds that have significantly appreciated in value over time. Known as “appreciated securities,” you can take a charitable deduction on these assets according to their fair market value on the day you donated them. Not only can you take a tax deduction, you also won’t need to pay capital gains tax on them — it’s a win/win for you and your favorite charity. If you know you want to offload the assets but need more time to determine which charity to support, ask your advisor about using a donor-advised fund.

Distribute From Your IRA -- If you’re at least age 70.5 , have a well-stocked IRA, and don’t need to take money from it for living expenses, you can instead take a Qualified Charitable Distribution (QCD) from it to help your favorite Charity and reduce your tax bill. You can donate up to $105,000 from your IRA to a qualified charity without having the gift count as income on your tax return. If you file a joint tax return, and your spouse is at least age 70.5 and has their own IRA, they can also make a QCD of up to $105,000 in 2024, meaning couples can exclude up to $210,000 of their retirement savings from income tax if they donate it to charity via a QCD.

There are specific requirements that you have to meet to take advantage of these QCD rules. IRA owners must be age 70½ or older to make a QCD, and as an added benefit, anyone at least 73 years old can count the donation toward their IRA’s required minimum distribution (RMD) for the year. If you donate more than the maximum allowable amount, it is considered income and would be subject to taxation. QCDs must be made by Dec. 31 each year to exclude that amount from taxable income.

Regardless of which strategy sounds like the right solution for you, be sure to consult with a qualified tax professional and/or financial professional to help ensure you get the most out of your donations when tax time rolls around.

---

[1]Source: “A Step-by-Step Guide to Year-end Giving,” Bloomerang.com

Neither Security Benefit Corporation nor its affiliates are fiduciaries. This information is general in nature and intended for use with the general public. For additional information, including any specific advice or recommendations, please visit with your financial professional.

Security Benefit, its affiliates and subsidiaries, and their respective employees and/or representatives do not provide tax, accounting, or legal advice. Any statements contained herein concerning taxes are not intended as and should not be construed as tax advice, nor should they be used for the purpose of avoiding federal, state, or local taxes and/or tax penalties. Please seek independent tax, accounting, or legal advice.