



Charitable giving is a noble act that not only benefits the recipient but also provides tax benefits to the donor. While there are several ways to give to charity, and you are never limited to just one, this paper focuses on current trends with the five most popular and commonly used strategies here at FourThought. These strategies consist of qualified charitable donations using IRAs, donor-advised funds, charitable gift annuities, family foundations, and charitable lead trusts. This white paper explores each of these methods and how they can help individuals and families reduce their taxes while contributing to local and national charities.

1. Qualified Charitable Donations Using IRAs

Qualified charitable donations using IRAs allow individuals who are over the age of 70 ½ to donate up to \$100,000 directly from their IRA to a qualified charitable organization. This type of donation not only satisfies the donor's required minimum distribution (RMD) but also reduces the donor's taxable income. This is due to the donation being excluded from the donor's income and is not taxed. Therefore, individuals who donate using their IRA can effectively reduce their taxable income and support charitable causes at the same time.

2. Donor-Advised Funds

Donor-advised funds are a charitable giving option that allows individuals to make charitable donations and receive an immediate tax deduction while still retaining control over how the funds are distributed. Essentially, donors contribute funds to a donor-advised fund and then recommend to which charities the funds should be distributed. This allows donors to make a tax-deductible donation and support causes they care about, while also having ongoing involvement in the donation process.

3. Charitable Gift Annuities

Charitable gift annuities are another charitable giving option that allows donors to receive tax benefits while supporting charitable causes. A charitable gift annuity involves a donor donating to a charity in exchange for a guaranteed stream of income for a set period. The donor receives an immediate tax deduction for the donation, and the charity receives the remaining funds after the set period has elapsed. This can be a useful way for donors to support charitable causes while also receiving a reliable source of income.

4. Family Foundations

Family foundations are a charitable giving option that allows families to create a charitable organization that can support charitable causes for generations. Family foundations provide tax benefits to donors and have the ability to be used to support a wide range of charitable causes. Donors who contribute to a family foundation can receive an immediate tax deduction for their donation and can also reduce their taxable income in future years by contributing additional funds to the foundation.



5. Charitable Lead Trusts

Charitable lead trusts are a charitable giving option that allows donors to support charitable causes while also providing financial benefits to their heirs. A charitable lead trust involves a donor contributing funds to a trust that then distributes a fixed amount of income to a charitable organization for a set period. At the end of the set period, the remaining funds in the trust are distributed to the donor's heirs. This can be a useful way for donors to support charitable causes while also providing financial benefits to their heirs.



Charitable giving is an important way for individuals and families to support worthy causes while also reducing their tax burden. Qualified charitable donations using IRAs, donor-advised funds, charitable gift annuities, family foundations, and charitable lead trusts are just a few of the many effective ways to support charitable causes while also providing tax benefits to donors. These options can be used alone or as a combination and can often get complex; but by understanding these basic options and working with qualified professionals, individuals and families can make tax-positive decisions that have a multiplier for good for generations to come.

Taxes are often not the most exciting topic but it's important to remember that positive windfall events like selling real estate, a business, or making a good stock investment that has appreciated, don't have to be negative when it comes to taxes. If given enough lead time, we can often work with you and your tax professional to craft a plan that saves on taxes and becomes a fun and rewarding experience along the way. Studies have shown that giving to charity can boost happiness and improve overall well-being. So go ahead, make that donation, and enjoy the warm fuzzy feeling that comes from supporting a worthy cause. And if you need a little extra motivation, just remember that Uncle Sam will be there to give you a tax break.