Trends in Charitable Giving

The hows and whys of charity in America.

Presented by Greg B. Thomas

According to Giving USA 2018, Americans gave an estimated $410.02 billion to charity in 2017. That's the first time that the amount has totaled more that $400 billion in the history of the report.[1]

Americans give to charity for two main reasons: to support a cause or organization they care about or to leave a legacy through their support.

When giving to charitable organizations, some people elect to support through cash donations. Others, however, understand that supporting an organization may generate tax benefits. They may opt to follow techniques that can maximize both the gift and the potential tax benefit. Here's a quick review of a few charitable choices:

Remember, the information in this article is not a replacement for real-life advice. It may not be used for the purpose of avoiding any federal tax penalties. Make sure to consult your tax, legal, or accounting professional before modifying your charitable giving strategy.

Direct gifts are just that: contributions made directly to charitable organizations. Direct gifts may be deductible from income taxes depending on your individual situation.

Charitable gift annuities are not related to annuities offered by insurance companies. Under this arrangement, the donor gives money, securities, or real estate, and in return, the charitable organization agrees to pay the donor a fixed income. Upon the death of the donor, the assets pass to the charitable organization. Charitable gift annuities enable donors to receive consistent income and potentially manage taxes.

Pooled-income funds pool contributions from various donors into a fund, which is invested by the charitable organization. Income from the fund is distributed to the donors according to their share of the fund. Pooled-income funds enable donors to receive income, potentially manage taxes, and make a future gift to charity.

Gifts in trust enable donors to contribute to a charity and leave assets to beneficiaries. Generally, these irrevocable trusts take one of two forms. With a charitable remainder trust, the donor can receive lifetime income from the assets in the trust, which then pass to the charity when the donor dies; in the case of a charitable lead trust, the charity receives the income from the assets in the trust, which then pass to the donor's beneficiaries when the donor dies.

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

Donor-advised funds are funds administered by a charity to which a donor can make irrevocable contributions. This gift may have tax considerations, which is another benefit. The donor also can recommend that the fund make distributions to qualified charitable organizations.

Some people are comfortable with their current gifting strategies. Others, however, may want a more advanced strategy that can maximize their gift and generate potential tax benefits. A financial professional can help you assess which approach may work best for you..

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Citations.

1 - givingusa.org/giving-usa-2018-americans-gave-410-02-billion-to-charity-in-2017-crossing-the-400-billion-mark-for-the-first-time/ [6/13/18]