



## TAX STRATEGIES FOR CHARITABLE GIVING

# “Bunching” contributions to reach tax savings

*With the Tax Cuts and Jobs Act minted into law, the next step for many taxpayers is to figure out how this could impact their personal tax situation.*

*While the charitable tax deduction remains intact, other changes may influence when and how much Americans give to charity. People, of course, will continue to be motivated by the desire to make a positive impact on causes that they are passionate about. However, the tax reform law makes it more important than ever to make savvy financial decisions about charitable giving.*



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*Make more of a difference*

## Bunching charitable contributions

With the standard deduction doubled and many popular deductions eliminated, you may find that it doesn't make sense to itemize your tax deductions in 2018 and beyond. But how can you still receive a tax benefit for charitable giving?

One strategy to consider is called "bunching." To take advantage of this strategy, you contribute multiple years' worth of your charitable giving in one year to surpass the itemization threshold. In off-years, you could take the standard deduction.

Consider this example. John, who files his taxes as single, donates \$10,000 each year to his alma mater. In the past, his \$10,000 donation has put him over the itemization threshold, and he has deducted the amount from his income as a charitable tax deduction.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>John's Pre-Tax Reform Strategy</b>						
<b>Donation</b>	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
<b>Deduction</b>	Itemize	Itemize	Itemize	Itemize	Itemize	Itemize
<b>John's Post-Tax Reform Strategy</b>						
<b>Donation</b>	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0
<b>Deduction</b>	Itemize	Standard	Itemize	Standard	Itemize	Standard

Starting in 2018, his \$10,000 donation will no longer surpass the standard deduction, which is now set at \$12,000 for single filers. However, if he "bunches" two years of donations into one year, he will be able to itemize every other year and receive the full tax benefit of his charitable giving.

## How a donor-advised fund can help

A donor-advised fund is an ideal vehicle to support this tax planning strategy. By placing your charitable contributions in a donor-advised fund, such as a Fidelity Charitable® Giving Account®, you can create a cache of available funds to continue your regular yearly support to charity. Many taxpayers want to continue supporting their favorite charities with regular contributions, and a donor-advised fund makes that possible for taxpayers who use the "bunching" strategy to maximize their tax savings. With a donor-advised fund, you can feel confident knowing that you have maximized your charitable giving—both for yourself and the charities you love.

Call a Charitable Planning Specialist at **800-682-4438** or visit **FidelityCharitable.org** to learn more about our donor-advised fund program.

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