



by Lauren Wright, CFP®

Lauren Wright is a financial advisor with Private Wealth Management at Heathrow, located at 1540 International Parkway, Suite 3030, in Lake Mary. She can be contacted at 407-804-1444.

How to Gift Like a Billionaire

In the spirit of the new year, many of us have made resolutions to be more charitable. There are a number of strategies related to charitable giving, but one technique that is gaining rapidly in popularity is the use of donor-advised funds. Fundamentally, a donor-advised fund operates like a private foundation – typically reserved for the rich and famous – for the common donor without the significant legal and accounting startup costs associated with traditional private foundations.

One of the most attractive benefits of using a donor-advised fund is you can take an immediate tax deduction – up to the applicable limit allowed by law – for the amount you've contributed. If you choose to contribute long-term appreciated securities, you will avoid paying capital gains tax on the appreciation and receive a tax deduction for the full fair market value of your gift. Additionally, any assets contributed to the fund are no longer part of your estate and as such, no longer subject to probate or estate taxes.

Gifts to donor-advised funds are irrevocable, but they offer flexibility in the amount, timing, and recipient of charitable giving. Many institutions offer donor-advised funds with

initial minimum investments ranging from \$5,000 to \$25,000, but subsequent contribution limits are usually much lower, averaging around \$500.

You also have flexibility in the titling of your donor-advised account. You can choose to honor a cherished family member (e.g., “The John Smith Memorial Foundation”). Or you might want to highlight your personal philanthropic goals by calling it something like “The Smith Family Foundation for Education.” Whatever you decide to name your personal foundation, any assets contributed to your donor-advised account are invested and allowed to grow tax-free.

Once the donor-advised fund is established, you may direct grants to any combination of 501(c)(3) public organizations at any time. There are minimums related to grant sizes but they vary across providers with some as low as \$50 per grant. Many donor-advised funds will verify the tax-exempt charitable status of organizations you select to avoid losing your tax deduction or contributing to a fraudulent “charity.” You can declare grants to specific organizations or be more general in your gifting by directing that grants be made to benefit certain



causes, e.g., children's health, women's issues, environmental concerns, etc. You may also request that your grants be anonymous or you may choose to disclose that you directed the gift. By and large, individuals use donor-advised funds as part of planned annual giving but donors are able to respond to sudden needs like relief efforts for the victims of the recent Paris terror attacks.

A donor-advised fund makes it possible to establish a tradition of giving. You may direct gifts in your lifetime and choose to appoint a successor donor – your children, grandchildren, or other people of importance in your life – to take over the direction of grants after your death or resignation. Or you may choose to give instructions that name grants to specific charities beyond your lifetime.

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