AEPG WEALTH STRATEGIES

Three Ways to Give Thanks in a Year of Good Returns and Minimize Your Taxes

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We have been fortunate to have another year of climbing stock prices, and been blessed with a solid performance in our portfolios. With this good fortune, we are also face with the uncertainty of the Republican tax plans currently before Congress, geopolitical risks, rising rates, and the maturity of the rising markets. The thoughts of taking some profits at the highest levels in history of the US markets, is a good thing. However, cashing in on those appreciated shares will cause a taxable gain.

Here are some considerations for those that include philanthropy in their planning goals, that can maximize your charitable contributions, and minimize your taxes. You should have a goal for what you want to accomplish regarding your giving. Remain true to that goal and the organizations you most trust. Stick to the budget and philanthropic vision you've created to make the most of your philanthropic dollars. Giving larger gifts to fewer charities creates a bigger impact."

The below are three ways donors can get the most bang for their charitable buck:

Donate Stock Directly

You more than likely may have large capital gains in your brokerage or other taxable accounts thanks to this multiyear bull market, and selling appreciated stocks and giving the proceeds to charity is not the most efficient form of giving. Instead, it's more tax-efficient to gift the appreciated securities directly to a charity.

To illustrate, take a retired couple in the 15% tax bracket for long-term capital gains who sell appreciated stock for $2,000 that they originally bought for $500. In this scenario, they would pay $225 in federal tax on the $1,500 gain that was realized from the sale. If they donate the rest of the money from the stock sale, they would receive a tax deduction of $1,775. Assuming they're in the 25% income-tax bracket, their tax savings would be about $443.

But if that same couple gifts the appreciated stock directly to the charity, they would pay no tax on the sale. The couple would receive a $2,000 tax deduction and save about $500 in taxes. And by donating directly they would give the charity $225 more.

Important Note: Donors should avoid gifting shares with a capital loss. For example, if a donor has shares valued at $750 with a cost basis of $1,000, he would be better off selling the shares for $750, realizing the capital loss, and then giving $750 in cash to the charity.

Donate your Required Minimum Distribution

Investors who must take required minimum distributions from their individual retirement account, those age 70½ and older, should consider making a qualified charitable distribution to donate IRA assets.

With this approach, instead of an investor taking a distribution, paying income taxes on the full amount and then donating cash to the charity, they could donate directly to the charity, so the money isn't taxed.

The donor can give the entire required distribution or just a portion of it, and can give the funds to multiple charities. (These Qualified Charitable Distributions are capped at $100,000 per person annually.)

Another benefit of this strategy is that it lowers the donor's taxable income and can potentially reduce the amount of Social Security payments that might be taxable. It may also reduce Medicare premiums.

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Important Note: RMDs cannot be transferred to Donor Advised Funds, only directly to a qualified charity.

Open a Donor-Advised Fund

While Republicans in both houses of Congress would retain the charitable-contribution deduction in their tax-overhaul measures, both proposals also call for a near doubling in the standard deduction and the elimination of many other deductions.

If implemented, then, the GOP plan could increase the number of Americans who take the standard deduction and reduce the number of people likely to itemize and take advantage of the charitable deductions.

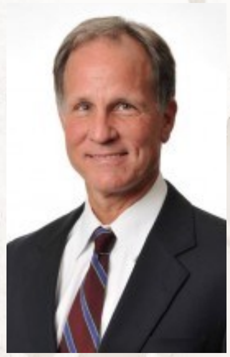
Donors who believe they might be affected by this scenario next year might consider increasing their charitable gifts this year.

Such donors should also consider a donor-advised fund if they want to benefit charities in future years. Donor-Advised Funds let investors receive a tax deduction for a charitable donation immediately but give them the flexibility to make charitable grants later.

One of the big things propelling the growth of donor-advised funds is how easy and convenient they are to use. Many of the larger ones, such as Fidelity Charitable, Schwab Charitable, and Vanguard Charitable have user-friendly web solutions that make donating and granting easy. Donor-Advised Funds make things easy from a recordkeeping perspective, too, because even if you donate to multiple charities in a calendar year, the fund consolidates the receipts you would file with the IRS into one statement and one deduction amount.

They're also flexible in terms of the types of assets they will accept: stocks, bonds, and shares of mutual funds, as well as private equity, hedge funds interests, restricted stock, real estate, and even bitcoin.

These strategies should be coordinated with both your AEPG Financial Life Planner and your CPA. If philanthropy/charitable planning is an important part of your financial goals, and you would like to discuss in more detail how to be more efficient and impactful in your giving, please give me a call, this is an area I am very passionate about and can provide you with options to help you achieve your goals.



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