

## Five Important Tax-Saving Tips for Donors

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Even in an economic downturn, community foundations offer many ways for people to conserve their hard-earned income and make a difference in the community at the same time. Using alternative assets such as real estate and works of art for charitable gifts provides donors with some very attractive financial benefits. Knowing when, how, and what to donate will maximize the savings for you and your family. And local community foundations can be great partners in figuring this all out. Here are five things to keep in mind:

**1. You have a charitable giving partner -the government.** Since 1917, Congress has granted favorable tax treatment to individuals who make charitable contributions to the charities of their choice, whether through outright gifts, deferred gifts, or bequests. Your local community foundation offers full tax benefits for charitable gifts.

**2. Giving while you are living is a tax-wise idea.** The reason is the income tax deduction you will receive at federal and state levels. Charitable gifts made during your lifetime provide an income tax deduction not available through a bequest. Because an outright current gift is no longer included in your estate, it ultimately avoids estate taxes. Contributions to a donor-advised fund at a community foundation receive immediate tax benefits, you can recommend gifts to other charities in the years ahead.

**3. Giving assets can be better than giving cash, especially long-term, highly appreciated assets, such as real estate, stock, and art.** The dual tax benefit of an income tax deduction is based on the value of the gift plus the added benefit of avoiding the capital gains tax.

**4. Planned giving (e.g., charitable remainder trusts; charitable gift annuities) provides powerful benefits.** Life income plans offer you the opportunity to make a current commitment to charity, receive a lifetime income stream for you and your spouse, avoid an immediate capital gains tax on a gift of appreciated property, receive an income tax deduction for a percentage of the total amount gifted, and remove the property from your estate, which may provide significant estate tax savings.

**5. While planning your estate, use your pension plan to help your community and ease your family's tax burden.** Unlike most assets an heir inherits, money received from retirement plans are income taxable. It can be advantageous to leave these assets to charity and leave non-taxable assets to heirs. Your community foundation advisors can help you find the approach that works best for you.

Prospective donors are advised to seek the advice of a competent tax professional before entering into any charitable planned gift. For more information about how your local community foundation can help, contact Bridget Holt at Toledo Community Foundation (419) 241-5049.